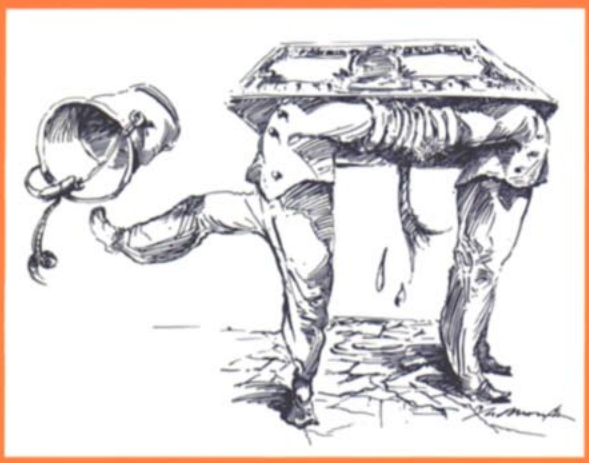
THE FREEMAN

IDEAS ON LIBERTY



Losing the Cold War

The Property Rights Origins of Privacy Rights

How Capitalism Saved the Whales

Freedom and Majority Rule

AUGUST 1992

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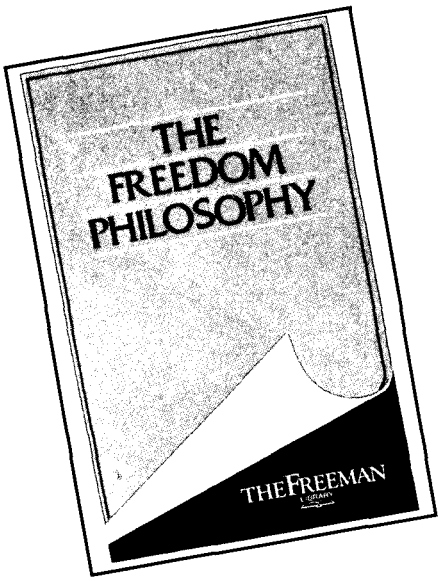
The Freedom Philosophy



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IDEAS ON LIBERTY

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PERSPECTIVE

The Language of Liberty

The idea and practice of human liberty—religious, civil, political, and economic—have been perhaps the most important social contribution of Western culture, yet today the idea of liberty has been all but forgotten in public debate and in the corridors of power. When the language of liberty is still heard, it has a quaint sound, the sound of a value now out of fashion.

The language of liberty has been replaced by the language of power. One no longer hears pleas for liberty, but pleas for and promises of "empowerment." This rhetorical shift from liberty to power reflects a fundamental philosophical shift: No longer is our goal "liberty and justice for all," but power. The peaceful and benevolent cooperation of citizens has been largely replaced by the noisy and malevolent contention of factions, each of which is seeking power at the expense of others.

The consensus that formerly governed America—the consensus that all men are created equal, and the purpose of government is to protect each person—is disappearing. What the new consensus will be, we cannot as yet discern. But the new language of power bodes ill for our future. When the language of liberty is infrequently spoken, and its sounds become unfamiliar to a people, the practice of liberty will pass away as well.

—JOHN W. ROBBINS

Efficiency and Freedom

Federal departments are not efficient, but probably the most inefficient things on the face of this planet. But if they were the most efficient agencies that history has ever seen, I should, in this field of education, be dead opposed to them. Efficiency in a good cause is good; but I am opposed to federal efficiency in this sphere because the result of it is a thing that I regard as bad—namely, slavery. And I am not inclined to do what a great many people do today; I am not inclined to write "freedom" in quotation marks as though it were sort of a joke. I believe, on the contrary, that it is something very real. An ounce of freedom is worth a pound of efficiency.

— J. GRESHAM MACHEN

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Lest We Forget

Did the Founders have to know economics to devise a system that raised the standard of living in this country from the near-subsistence level of the colonial period to the prosperity of a leading nation of the world, all within the first century of our republic? No! Their vision was focused not on economic considerations, but on securing individual liberty and individual rights. They established a carefully limited republic, thus freeing citizens from excessive government interference. For the first time in history liberty was validated as the inalienable birthright of an individual.

What a step of faith the Founders demonstrated with their belief that free citizens operating under a system of moral law would exercise their freedom responsibly, and that this would work out for the general good.

This is how a truly free-market economy develops; it is the outcome of the actions of people operating freely with one another, unhampered by government, nothing more, nothing less. This country's early amazing economy evolved as a by-product of establishing the righteous principle of freedom.

—RICHARD W. HOLDEN

A Message From a Great Gray Owl

Who says people don't give a hoot about individual liberty and responsibility anymore? Judging by the spectacle of human initiative triggered by the appearance of a little creature from the wild in Jamestown, New York, Americans still have a feeling for the unregulated and the free.

Why under the drab sky of winter would flocks of brightly dressed individuals, from babies in buntings, to young girls in leggings, to senior citizens with canes, be streaming into a rough, wild forest? They'll tell you it's for a glimpse of a Great Gray Owl. Just two feet high, her tree-trunk-colored form is nonetheless large compared to more common relatives, and her expression is accentuated by big, sharp yellow eyes. Apparently Miss Great Gray Owl is a rare sight this far south of her distant-north habitat.

In quest of the owl, no one complains about brambles, slippery trails, gorges, and a host of other nuisances, which under different circumstances would call for swift remedial action from some Federal regulatory agency. In fact, the owl's visitors demonstrate an exuberance and openness that suggests they are relishing the challenges.

Youths, parents, and elderly are not segregated into their respective educational or occupational categories. Side by side, they share the intrigue of discovery. No regulations advise us of Miss Gray Owl's visiting hours, or tell us just how close we may approach. There are no bans on rock-throwing, littering, or unnecessary noise, yet I haven't heard of anyone engaging in such practices. (Visitors reminding each other to keep quiet may, however, find their voices drowned out by the roar of an airplane taking off from the Chautauqua County Airport adjacent to the field.)

Despite daunting creek crossings and old barbed-wire fences, there are no signs posted to warn us to proceed at our own risk, or that traveling beyond a particular point may be hazardous to life or limb. Nor are there any inspectors to make sure we keep each other safe, or child-welfare agents to warn parents not to climb banks or jump creeks with an infant in arms. In fact, the absence of restrictions seems to generate an attitude of respect and responsibility, as though everyone were anxious to safeguard so pure and fragile a wilderness freedom.

Unwittingly, the Great Gray Owl provokes us to re-evaluate the risk-free world we have tried to construct around ourselves, and to reflect on the price of broad restrictions on risk-taking. In a society where every other step you take brushes against legal requirements, it is refreshing to see people savor a taste of the raw, the "real" life. It's as though they're clinging to what remnants they can of a creed having to do with "life, liberty, and the pursuit of happiness"—a creed which no one ever had to teach the Great Gray Owl.

—HANNAH LAPP

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THE FREEMAN
IDEAS ON LIBERTY

Losing the Cold War

by Christopher Whalen

"The creatures outside looked from pig to man, and from man to pig, and from pig to man again; but already it was impossible to say which was which."
—GEORGE ORWELL
Animal Farm

Just when the Cold War ended is a question historians will debate for years to come. The fall of the Berlin Wall is the obvious reference point, a powerful picture of the "collapse of Communism" eagerly seized by the media. Yet the victory in Berlin obscured the high price overturning Communist rule would exact from the unique American political economy, and also exaggerated the extent of the triumph. The battle between entrenched Communist elites and the freed citizenry of Eastern Europe shows that toppling the Wall marked the beginning of a new struggle.

As analysts ponder "the end of Communism," a more important struggle rages among the industrialized nations. Francis Fukuyama suggested that with geopolitical confrontation between East and West no more, "the end of history" impended, implying that the struggle for freedom ended with Soviet imperialism. Yet just as formerly Communist nations contain factions reluctant to yield power and dismantle Cold War structures, so too the technocrat elite within the Group of Seven (G-7) countries (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States) remain wedded to policies designed to maintain "stability" in private markets during a time of global military and political conflict.

Many economists and politicians in America, themselves products of the Cold War, reject the idea that global conflict has ended, arguing instead that the new contest among nations is economic. Governmental guidance in the form of "industrial policy" is needed to meet the new menace posed by the European Community, Japan, and other ascendant Asian economic powers, they contend. "The issue is no longer whether government should intervene [in the economy]," Dr. Robert Kuttner wrote in *The New York Times Magazine*, "but when, where and how."

The Road to Perdition

Kuttner represents a uniquely post-modern, positive liberty strain in American intellectual thought which holds that market economies must inevitably evolve toward a managed, regulated formulation where commercial warfare among nations, not individuals or private concerns, is the most disaggregated form of "competition." Under this *dirigiste,* top-down world view, America is pitted in a zero-sum struggle against Europe and Asia, losing rather than gaining benefits from free and open trade. In the world of "industrial policy" and "managed trade," the functioning of markets is the concern of politicians, not mere business people. Private companies, financial institutions, and individuals are seen as dangerous sources of instability in markets where "market surveillance" and "bank supervision" are common terminology; this is perhaps what Justice Learned Hand had in mind when he referred to "a society governed by platonic guardians."

Mr. Whalen is a Washington-based writer and consultant.

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But history is not over. The threat of central planning did not end with the fall of Soviet Communism. The great battle yet to be fought is for the soul of the United States as a libertarian society, the country deliberately made in an image different from the regimented states of Europe. The challenge lies in reaffirming and perhaps even reintroducing the principles of limited government, individual liberty, and private property—the necessary conditions for a free-market, pluralistic society. The question is not about degrees of regulation, but of keeping free markets from disappearing entirely. Ideas once taken for granted must be rediscovered: that public debt is intrinsically evil and leads to speculation and inflation; that thrift and personal responsibility are the foundations of individual and national wealth; and that deviation from these principles leads to social ruin, as evidenced by events in Russia and, more recently, by rioting and looting in Beirut and Los Angeles.

Costly Victory

"The beginning of the end of capitalism in America, which was also the beginning of the rise of totalitarian Communism, came in 1913," economist Herbert Stein wrote in *The Wall Street Journal* on January 9, 1992. "This was about the same time as the beginning of Communism in Russia. But whereas Communism faded away early in the 1990s, it remained a threat in America."

The liberal American government that broke the "Robber Barons"; that saw the nation through panics, currency runs, and the Great Depression; that defeated Hitler and General Tojo; and that survived global standoff with the Soviet military menace, is not the limited government of our nation's founders. Washington, governed by politicians, lobbyists, and the carrion swarm we shall simply call "liberal economists," constitutes the chief threat to prosperity and liberty in America. "The expediencies and exigencies of social machinery," to paraphrase Hayek, are moving us toward a less libertarian society where "stability" is managed from above—the very same type of society our forebears fought against on forgotten battlefields in Europe and Asia.

Well-intentioned leaders have for decades told America that resisting Soviet imperialism warranted any sacrifice. Debate over running budget deficits or the wisdom of tolerating even modest inflation were easily pushed aside because of the perceived threat of nuclear annihilation, the power of "the crisis." To question fiscal deficiencies or the use of monetary policy to accommodate projects such as Vietnam, the expansion of welfare expenditures in the 1970s, or the military buildup of the 1980s, was attacked as unpatriotic or even pro-Communist. Deliberately or not, in fighting Communism we have created a home-grown socialist nightmare not fundamentally different from corporativist states proposed by Lenin and Hitler, and realized by Stalin. Both to meet external threats and to satisfy internal needs, America has created an enormous state apparatus that accommodates almost any request, but also limits and regulates ever more aspects of private life, including health care, investing, and the use of private property.

After a presentation by this writer on Social Security, an elderly Bethesda, Maryland, man obliquely highlighted the issue facing Americans when it comes to recognizing limits on government. I had told the audience that SSI and other Federal trust funds are an accounting fiction dependent on future generations' sweat to redeem promissory notes issued by the Treasury. After a heated debate, we finally concluded that, yes, Social Security is a fraud. But then the gray-haired man with military decorations displayed proudly on his jacket declared that while correct, "We should not say bad things about the United States because America is the greatest country in the world."

America, world policeman, defender of freedom, land of infinite salable assets and endless credit, can do no wrong. No debt is too big, no expenditure too outrageous for the nation that won the three great wars of this century. Since this perception is widely shared internationally, successive governments in Washington have financed the growth of government with public debt denominated in dollars. Investors, at home and abroad, fund Federal deficits by exchanging cash for future dollars, plus interest, payable at some date certain. Yet the rules of arithmetic and compounded interest suggest that the scheme may eventually reach a ceiling in terms of investor appetite for dollars.

Comstock Partners principal Michael Aronstein characterized America's fiscal problems from

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"Ideas once taken for granted must be rediscovered: that public debt is intrinsically evil and leads to speculation and inflation; that thrift and personal responsibility are the foundations of individual and national wealth; and that deviation from these principles leads to social ruin . . . ."

the perspective of the post-war generation's children in *Barron's* on April 27, 1992: "Certainly, there's something enraging about the sort of casual arrogance with which people in Washington sit down and decide what [the deficit will be], whether it is $300 billion, $400 billion, $500 billion or $600 billion, sure, they can borrow it. . . . There is a limit. And that's the delusion that we as a society are operating under—that all of this is limitless. There is no natural boundary."

Debt and Forbearance

Two economic indicators, America's rising national debt and politically motivated intervention to rescue private companies from market discipline, best illustrate the strangulating effect of big government on the U.S. economy. Far more than the narrow issue of simply regulating markets, the growing burden of government spending and debt, facilitated by periodic bursts of inflation, is gradually blurring the distinction between private and public property, and the separation between that economic activity which is "public" and that which is clearly private.

Federal government borrowing, on net, presently consumes virtually all excess private capital in the U.S. economy. Annual, *interest only* payments on the outstanding $3 trillion plus in *public debt* (not including interest accrued by Social Security and other trust funds), totals over $350 billion, now the single largest item in the Federal budget. With capital inflows from Europe and Japan down dramatically from the torrential levels of the mid-1980s, foreign money is no longer available to offset Federal borrowing.

While often criticized by xenophobic politicians, capital inflows from abroad during the 1980s delayed the consolidation and asset revaluation that inevitably follows sustained inflation—the corollary to public debt expansion. Following the boom years of the 1970s, when government-induced monetary expansion forced banks and investors to lengthen the maturity of—and trade for short term gain—assets to escape inflation, the 1980s represented a plateau, a pause financed by high real interest rates and dollars repatriated from abroad.

Now, in the 1990s, the proverbial chickens have come home to roost in the form of collapsing asset prices. As high-quality private collateral becomes scarce, well-capitalized financial institutions avoid making loans, preferring the safety of Uncle Sam's AAA-rated IOUs. And large banks, reeling from accumulated asset-quality problems created by making imprudent loans to developing countries, real estate developers, and corporate raiders (whose appearance is attributable to macro-monetary economic fine-tuning) buy long-dated government debt with monies borrowed in the overnight funds market—liquidity available to them only because of Federal Deposit Insurance Corporation (FDIC) insurance.

The "spread" or difference between yields on 30-year Treasury bonds and Federal Reserve funds illustrates, respectively, expectations for inflation and official manipulation of short-term interest rates in order to rescue "private" banks from the results of poor credit and management decisions. The yield curve now totals some 450 basis points from end to end, the widest spread seen in the post-World War II era, and would be steeper were it not for recent Fed purchases of longer-dated Treasury paper—the ultimate act of inflationism and monetary idiocy.

The force driving hope for a U.S. economic

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recovery in 1992 is Federal Reserve expansion of high-powered money. In the first quarter of 1992 alone, total bank reserves rose at a near-record 27 percent, measured on a quarter-to-quarter average basis, an example of how Washington, through a servile central bank, uses inflationary monetary policy to create the illusion of economic expansion. By keeping short-term interest rates low, the Bush Administration seeks to revive private economic activity without making any fiscal policy adjustments, such as lowering the deficit or tax rates. In fact, the Bush Administration hopes to use easy money to salvage banks left insolvent by the latest cyclical correction in asset values. One veteran on the staff of the House Banking Committee calls this process a "managed collapse" of the banking industry.

Too Big to Fail

More than any other indicator, the reluctance to allow market resolution of large bank insolvencies is symptomatic of how a *de facto* nationalization of private assets is occurring in America via inflation and debt. The doctrine known as "too big to fail," whereby the taxpayer subsidizes large depositors and other creditors of private banks, epitomizes the larger trend in the U.S. economy toward politically managed stability from above rather than market-based solutions. Too-big-to-fail is especially pernicious on economic grounds since it subsidizes badly managed banks and companies at the expense of well-run concerns, and even worse, does so based on political determinations where transparency and public accountability are lacking.

Look at the financial problems facing larger commercial banks today and it quickly emerges that we are repeating the socialist mistakes of the past. Since the appearance of the twin specters of Third World loans and domestic disinflation, we have headed down a road attended by familiar monstrosities such as the FDIC and the World Bank, and newer gorgons like the Resolution Trust Corporation (RTC), institutions comparable to the state-sector organs found in the authoritarian societies of Europe and Latin America. Worse yet, America's political leadership seems incapable of rediscovering even the bailout mechanism of the 1930s, the Reconstruction Finance Corporation (RFC), which while flawed was at least a transparent fiscal tool requiring annual appropriations, rather than the off-budget subterfuge now employed to support the ongoing thrift/bank rescue.

The 1987 stock market break accelerated the trend toward greater overt and covert manipulation of markets in the name of preserving short-run "stability." The process began years earlier, first through creative accounting—known as forbearance—employed to protect insolvent thrifts in the Southwest. These institutions were gradually taken over and the rest is history—*except* that the government still lacks the money and political will to resolve the situation. Dozens of insolvent thrifts and commercial banks are today open for business under FDIC or RTC ownership, literally government-owned "zombies" operating at a loss and in competition with solvent banks. To make the irony complete, the single largest seller of Federal funds in the "private" market is another Depression-era entity, the Federal Home Loan Banks, which issue notes carrying a presumptive U.S. guarantee.

Starting with the RFC, and continuing through the mobilization and centralization of industry during World War II, government's role in the economy has gone from passive arbiter to active regulator and now participant. Compare the days of Jim Fisk and Jay Gould, for example, when intervention in the gold market in 1869 burst one of history's great speculative bubbles, to the rescue of Lockheed (1971), New York City (1976), Chrysler (1980), Continental Illinois (1984), First City Bank of Houston (1987), and most recently the nationalization of Crossland Savings of New York.

While President Ulysses Grant sought to calm markets by selling government gold (albeit after nearly being duped by the wily Gould), the Lockheed rescue and the nationalization of Crossland were deliberate efforts to avoid market-based solutions. With the collapse of the Bank of New England in early 1991, the Treasury used billions of dollars in public money to keep the insolvent institution alive. Even after providing a multi-billion dollar subsidy for uninsured depositors in order to facilitate a purchase, the Treasury still refuses to admit its central (and arguably illegal) role in a bailout that ultimately could cost the taxpayer in excess of $4 billion (the officially admitted figure is $2.5 billion).

In the case of banks rescued (and the dozens

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"More than any other indicator, the reluctance to allow market resolution of large bank insolvencies is symptomatic of how a de facto nationalization of private assets is occurring in America via inflation and debt."

closed with public subsidies), the U.S. has accelerated its guarantee of apparently private liabilities in the form of uninsured bank deposits (foreign deposits and those over the $100,000 legal limit) and even non-deposit liabilities of larger banks, as in the case of the parent of Continental Bank. This direct government subsidy for private investors occurred without Congressional approval, being conducted *de facto* by Federal regulators in the name of limiting what is called "systemic risk," which regulators refuse to define or address by limiting interbank exposure.

The Invisible Hand

More disturbing than overt bailouts of certain classes of private creditors are instances where supposedly "private" companies, in particular big banks and defense contractors, have been rescued covertly, without the prior knowledge or consent of Congress. The most notable examples of this new approach are found among the New York money-center banks—Citicorp, Chase Manhattan, Manufacturers Hanover, and Chemical Bank —which all suffered in recent years from deteriorating asset quality and substandard earnings.

In the case of Citicorp and Chase Manhattan, for example, it is clear that both have been in a slow, government-supervised liquidation for the past several years, whereby forbearance with respect to impaired assets and other special dispensations allow these institutions to avoid closure or mergers. During the period of November-December 1990 and again at the end of March 1991, Chase was reportedly rescued by a combination of discount window loans from the Federal Reserve Bank of New York and covert loans from other New York banks, acting upon oral guarantees made by senior Federal Reserve officials. Similar reports have been made with respect to Citicorp, but little hard evidence exists beyond anecdotal reports and extraordinary discount window activity when these banks had difficulty borrowing from private markets.

Another recent example involves McDonnell Douglas, the aircraft manufacturer and defense contractor that experienced serious financial difficulties last year. In April *The New York Times* reported two payments totaling hundreds of millions of dollars ostensibly made for the moribund C-17 program "at a time when the company faced a severe financial crisis." By shifting payments from one account to another, the Federal government provided funding to the company when it could not raise funds from private markets. "The Congressional investigators said that the effect of the two [payments] was to give McDonnell Douglas immediate payments that it would otherwise have had to wait months or years for," according to *The Times.*

And we are not alone in this folly—indeed, we learned it from the British, who are still trying to bail out Olympia & York's exposure on the Canary Wharf project, an office complex located on a narrow, isolated peninsula in East London that lacks no amenity save adequate transportation to convey eager tenants in and out. Vanessa Houlder wrote in the *Financial Times* on June 5, 1992: "The losses incurred by Canary Wharf's developers, Olympia & York, raise the question of why the project was thought viable in the first place: how did O & Y persuade its bankers to fund the scheme?"

International Cooperation

Just as decisions about interest rates or whether enterprises of a certain size will succeed or fail are increasingly a function of political considerations, in the international arena manipulation of markets

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and entire economies is now accepted practice. The 1985 G-7 Plaza Accord, for example, formalized a process whereby central banks manipulated the price of the dollar and "coordinated" interest rate movements to achieve politically designated economic goals.

All G-7 countries manipulate their domestic interest rates, and central bank intervention in the currency market is executed without apology or explanation. And as the increase of government debt dominates the evolution of the "independent" Federal Reserve, in the international realm the efforts by other members of the G-7 to monetize a certain portion of American inflation likewise distorts the economies of Germany and Japan.

The G-7 central banks other than the Federal Reserve now hold over $300 billion in U.S. debt (which requires that they sell or create an equal amount of their own currency). Washington's profligacy is straining this arrangement, however, as manifested by recent sharp exchanges between Washington and Bonn over monetary and fiscal policy in the newly unified Germany. With the Bundesbank seemingly committed to price stability by maintaining high real interest rates, and the U.S. headed in the opposite direction, the G-7 process of market stabilization is degenerating because Germans and Japanese alike question the need to continue importing American inflation through dollar purchases.

Until the fall of the Berlin Wall, the Bundesbank was willing to counterbalance American fiscal and trade deficits by purchasing dollars, a policy encouraged by exporters and manufacturers in Germany who depend on sustaining the level of the dollar, both to preserve export revenues and the value of direct investments in the U.S. Likewise, Japanese exporters and banks, who generally write contracts or loans in dollar terms, fear a weaker greenback because of the impact on profits and asset values. The scramble by Tokyo banks to meet the revised Basle capital guidelines is caused, in part, because dollar weakness generates lower revenues and valuation losses in yen terms.

Foreign Debt

One area of G-7 cooperation where there remains general agreement, however, is in dealing with debt issued by developing countries and now by the disintegrating Soviet Union. In much the same way that dollar stabilization efforts by Europe and Japan seek to maintain the value of exports to the U.S., the endeavors of Washington in Latin America, and of the Europeans in central and eastern Europe, are designed to prevent a repeat of the 1982 Mexican loan default. And just as Germany, for example, seeks to prop up the dollar through sales of marks, "managing" the less-developed countries' debt crisis is meant at least partially to preserve the fiction that countries with large external debts, low per capita income levels, and socialist economies constitute a market for exports from developed nations.

Olympia & York of Canada has tried to bully creditors into accepting a "rollover" of existing debt (and, incredibly, new loans). Banks tentatively agreed to a rollover only after the United Kingdom guaranteed a minimum level of occupancy by civil servants. The Russians likewise gave the G-7 a blunt ultimatum: provide new money or face default. No doubt Russian President Boris Yeltsin learned this trick from his advisers, New York Federal Reserve Bank President Gerald Corrigan and former Federal Reserve Board Chairman Paul Volcker. The latter, who is reported to be a formal consultant to Yeltsin, can claim considerable credit for teaching Mexico how the implicit threat of "instability" could be used to coerce new loans and subsidies from Washington.

Frantic efforts to give Russia both debt relief and access to new credit from the International Monetary Fund and the World Bank closely parallel arrangements made with respect to Mexico, culminating in the abortive Brady debt reduction plan in 1989 and, most recently, the political facade of "free trade." Just as new loans from the World Bank, IMF, and other international lending and export-credit agencies are "recycled" to help Mexico make payments on private foreign loans, the G-7 are contemplating a similar "stabilization" arrangement for Moscow to protect already weakened banks and commercial companies in Europe, Japan, and the U.S. from a full-scale Soviet financial collapse. Whereas Mexico requires a modest $5-10 billion per year in new multilateral loans (total service on its now $107 billion foreign debt was $16 billion in 1991, up 43 percent from 1990), new loans required to keep Russian credits current and pay for imports will

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"The institutionalized crisis affecting financial markets and the government's fiscal situation is inexorably moving the United States toward a more centralized and less democratic form of government, no matter which of the three candidates wins the November election."

soar into the tens of billions of dollars, and this does not include the $20 billion or so to meet the proclaimed cash needs of other former Soviet republics. If Moscow's accumulated foreign debt is not to collapse, the flow of new money, consistent with the Mexican "stability" model, must grow every year.

As with the example of domestic debt issuance in the U.S., new multilateral debt, authorized for political reasons, is employed to simulate *bona fide* income in developing nations to pay interest on private debts and to purchase goods and services from the G-7 countries. The Russian bailout is just the latest evolution of this "crisis management." Starting in the 1970s by recycling Arab petro-dollars to developing nations in the form of private bank loans, the process of managing Third World debt continued in the 1980s with first the Baker Plan (status quo and new loans) and the Brady Plan (debt forgiveness and new loans). Now the process ratchets up several big notches with the start of an open-ended, $30 billion-plus a year G-7 program to float the latest authoritarian government to reside in the great fortress that is Moscow.

It is interesting to note that the U.S. Treasury will lend money to Russia (most or all of which will be borrowed), which will then be used to clear arrears on private loans to banks and commercial companies largely but not entirely from western Europe and Japan. It is unlikely that investors who buy Treasury debt issued to fund this operation will waive interest or principal payments. But the same cannot be said of the U.S. loans to Moscow, which history suggests will never be repaid. Inevitably, taxpayers in the G-7 countries must redeem these loans through increased levies necessary to "replenish" the capital of institutions such as the World Bank and IMF, or indirectly via higher levels of domestic debt and inflation. The investors who own AAA-rated World Bank bonds are, after all, the real shareholders.

Price Stability and Freedom

The accumulation of public sector debt in America is the root of many of the problems now facing the U.S. economy. If the other, off balance-sheet liabilities of the Federal government such as Social Security, private pension guarantees, and commitments to multilateral international institutions are added to the cost of resolving the thrift and commercial bank bailouts, it quickly becomes clear that the size of public sector liabilities is growing very rapidly relative to the total value of real private assets (roughly $35 trillion). This trend holds ominous implications for the "free market," not to mention the long-term prospects for American democracy.

First, in an environment where the government is forced to finance half a trillion dollars' worth of new debt annually, and "roll" the interest on $3.5 trillion in old debt, the question arises as to whether there is any capital left over for private borrowers. So long as the government refuses to curtail expenditures, efforts to alleviate the "credit crunch" or other manifestations of crowding out are exercises in futility at best, and a political swindle at worst.

Second, as the size of the Federal debt increases relative to "private" assets and obligations, the issue of repayment ultimately begs the question as to when and how the government will use its coercive power to expropriate private wealth to pay public debts. It is not a question of Federal officials

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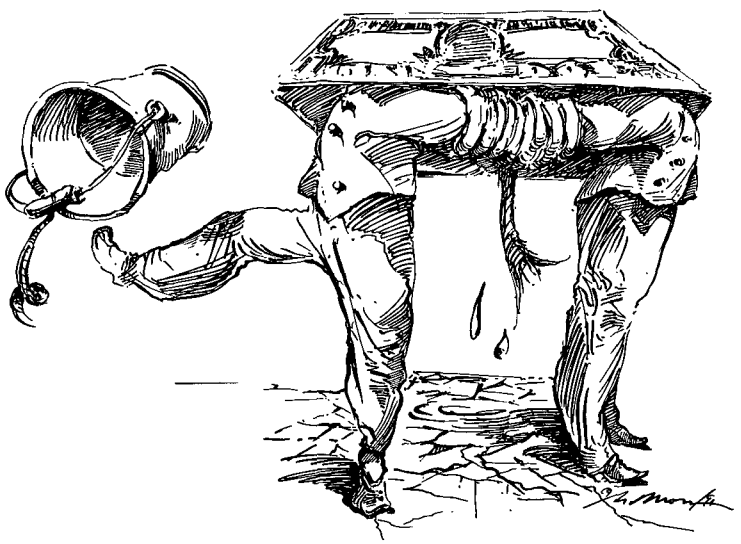
actually seizing private property, but rather creating money, much the same way that Messrs. Fisk and Gould printed new shares of Erie Railroad stock when they needed liquidity. Both examples pertain to criminal expropriation of private property, but only one is sanctioned by the coercive power of the state.

The institutionalized crisis affecting financial markets and the government's fiscal situation is inexorably moving the United States toward a more centralized and less democratic form of government, no matter which of the three candidates wins the November election. Unless some future leader convinces Americans to cut current spending, higher public debt implies rising inflation, falling real wages, and incremental increases in discord among the public at large. While many factors can explain the riots in Los Angeles, the steady erosion of the purchasing power of the dollar is a cause that has received little attention from a financially illiterate media. The age of money politics demands a press conversant in monetary alchemy.

Without a change in the fiscal and monetary regimes of the United States, government will be the central player in the economy, surrounded by a heavily regulated "private" market. Individual liberties and opportunities will become increasingly a function of administrative mechanisms, and decisions about major business transactions will be concentrated far beyond what was even thought possible two decades ago.

This growth in the role of the coercive and redistributive power of the state, perhaps disguised as managerial and funding partnerships between government and private business, will be sold as part of the solution, or at worst a necessary evil. This fundamental economic evolution, which has its roots in the birth of Communism in Russia, the Great Depression, and World War II, will occur within the world's greatest democracy without an informed public debate over the rights of property or government's prerogative to incur new indebtedness without Congressional authorization.

As with any other clear choice between good and evil, the way out of the darkening cave of socialism and debt is to turn around and walk the other way. This involves first committing the nation to monetary freedom; and second, balancing the Federal budget by cutting tax rates and spending, and establishing a *surplus* above current interest payments, in order to begin the orderly retirement of the national debt. Any other choice is not only economically unworkable, but immoral. If we do not make this choice, we will have truly lost the Cold War. □



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Friedrich A. Hayek (1899-1992)

by Peter J. Boettke

Friedrich A. Hayek, who died on March 23, 1992, at the age of 92, was probably the most prodigious classical liberal scholar of the 20th century. Though his 1974 Nobel prize was in Economic Science, his scholarly endeavors extended well beyond economics. He published 130 articles and 25 books ranging from technical economics to theoretical psychology, from political philosophy to legal anthropology, and from the philosophy of science to the history of ideas. Hayek was no mere dabbler; he was an accomplished scholar in each of these fields of inquiry. He made major contributions to our understanding in at least three different areas —government intervention, economic calculation under socialism, and development of the social structure. It is unlikely that we will see the likes of such a wide-ranging scholar of the human sciences again.

Hayek was born into a family of intellectuals in Vienna on May 8, 1899. He earned doctorates from the University of Vienna (1921 and 1923). During the early years of the 20th century the theories of the Austrian School of Economics, sparked by Menger's *Principles of Economics* (1871), were gradually being formulated and refined by Eugen Boehm-Bawerk, his brother-in-law, Friedrich Wieser, and Ludwig von Mises. When Hayek attended the University of Vienna, he sat in on one of Mises' classes, but found Mises' anti-socialist position too strong for his liking. Wieser was a Fabian socialist whose approach was more attractive to Hayek at the time, and Hayek became his pupil. Yet, ironically it was Mises, through his devastating critique of socialism published in 1922, who turned Hayek away from Fabian socialism.

The best way to understand Hayek's vast contributions to economics and classical liberalism is to view them in light of the program for the study of social cooperation laid out by Mises. Mises, the great system builder, provided Hayek with the research program. Hayek became the great dissecter and analyzer. His life's work can best be appreciated as an attempt to make explicit what Mises had left implicit, to refine what Mises had outlined, and to answer questions Mises had left unanswered. Of Mises, Hayek stated: "There is no single man to whom I owe more intellectually." The Misesian connection is most evident in Hayek's work on the problems with socialism. But the insights derived from the analysis of socialism permeate the entire corpus of his work, from business cycles to the origin of social cooperation.

Hayek did not meet Mises when he was attending the University of Vienna. He was introduced to Mises after he graduated through a letter from his teacher, Wieser. The Hayek-Mises collaboration then began. For five years, Hayek worked under Mises in a government office. In 1927, he became the Director of the Institute for Business Cycle

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Research which he and Mises had set up together. The Institute was devoted to theoretical and empirical examinations of business cycles.

Building on Mises' *The Theory of Money and Credit* (1912), Hayek refined both the technical understanding of capital coordination and the institutional details of credit policy. Seminal studies in monetary theory and the trade cycle followed. Hayek's first book, *Monetary Theory and the Trade Cycle* (1929), analyzed the effects of credit expansion on the capital structure of an economy.

Publication of that book prompted an invitation from Lionel Robbins for Hayek to lecture at the London School of Economics. His lectures there were published in a second book on the "Austrian Theory of the Trade Cycle," *Prices and Production* (1931), which was cited by the Nobel Prize Committee in 1974.

Hayek's 1930-1931 lectures at the London School were received with such great acclaim that he was called back to the prestigious University of London and appointed Tooke Professor of Economic Science and Statistics. At age 32, Hayek had reached the pinnacle of the economics profession.

The Mises-Hayek theory of the trade cycle explained the "cluster of errors" that characterizes the cycle. Credit expansion, made possible by the artificial lowering of interest rates, misleads businessmen; they are led to engage in ventures that would not otherwise have appeared profitable. The false signal generated by credit expansion leads to malcoordination of the production and consumption plans of economic actors. This malcoordination first manifests itself in a "boom," and then, later, in the "bust" as the time pattern of production adjusts to the real pattern of savings and consumption in the economy.

Hayek versus Keynes

Soon after Hayek's arrival in London he crossed swords with John Maynard Keynes. Keynes, a prominent member of the British civil service then serving on the governmental Committee on Finance and Industry, was credited by the academic community as the author of serious books on economics. The Hayek-Keynes debate was perhaps the most fundamental debate in monetary economics in the 20th century. Beginning with his essay, "The End of Laissez Faire" (1926), Keynes presented his interventionist pleas in the language of pragmatic classical liberalism. As a result, Keynes was heralded as the "savior of capitalism," rather than being recognized as the advocate of inflation and government intervention that he was.

Hayek pinpointed the fundamental problem with Keynes's economics—his failure to understand the role that interest rates and capital structure play in a market economy. Because of Keynes's unfortunate habit of using aggregate (collective) concepts, he failed to address these issues adequately in *A Treatise on Money* (1930). Hayek pointed out that Keynes's aggregation tended to redirect the analytical focus of the economist away from examining how the industrial structure of the economy emerged from the economic choices of individuals.

Keynes did not take kindly to Hayek's criticism. He responded at first by attacking Hayek's *Prices and Production.* Then Keynes claimed that he no longer believed what he had written in *A Treatise on Money,* and turned his attention to writing another book, *The General Theory of Employment, Interest, and Money* (1936), which in time became the most influential book on economic policy in the 20th century.

Rather than attempting to criticize directly what Keynes presented in his *General Theory,* Hayek turned his considerable talents to refining capital theory. Hayek was convinced that the essential point to convey to Keynes and the rest of the economics profession concerning monetary policy lay in capital theory. Thus Hayek proceeded to set forth his thesis in *The Pure Theory of Capital* (1941). However correct his assessment may have been, this book, Hayek's most technical, was his least influential. By the end of the 1930s, Keynes's brand of economics was on the rise. In the eyes of the public Keynes had defeated Hayek. Hayek lost standing in the profession and with students.

During this time, Hayek was also involved in another grand debate in economic policy—the socialist calculation debate, triggered by a 1920 article by Mises which stated that socialism was technically impossible because it would lack market prices. Mises had refined this argument in 1922 in *Socialism: An Economic and Sociological Analysis,* the book which had profoundly impressed the young Hayek when it appeared. Hayek developed Mises' argument further in several articles during the 1930s. In 1935, he col-

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lected and edited a series of essays on the problems of socialist economic organization: *Collectivist Economic Planning.* Additional Hayek essays on the problems of socialism, and specifically the model of "market socialism" developed by Oskar Lange and Abba Lerner in their attempt to answer Mises and Hayek, were later collected in *Individualism and Economic Order* (1948).

Again, the economics profession and the intellectual community in general did not appreciate Hayek's criticism. Had not modern science given man the ability to control and design society according to moral rules of his own choosing? The planned society envisioned under socialism was supposed to be not only as efficient as capitalism (especially in view of the chaos capitalism was said to generate with its business cycles and monopoly power), but socialism, with its promise of social justice, was expected to be fairer. Moreover, it was considered the wave of the future. Only a reactionary, it was argued, could resist the inevitable tide of history. Not only had Hayek appeared to lose the technical economic debate with Keynes and the Keynesians concerning the causes of business cycles but, in view of the rising tide of socialism throughout the world, his general philosophical perspective was increasingly labeled as a primitive version of liberalism.

The Road to Serfdom

Hayek, however, kept on refining the argument for the liberal society. The problems of socialism that he had observed in Nazi Germany and that he saw beginning in Britain led him to write *The Road to Serfdom* (1944). This book forced advocates of socialism to confront an additional problem, over and beyond the technical economic one. If socialism required the replacement of the market with a central plan, then, Hayek pointed out, an institution must be established that would be responsible for formulating this plan. Hayek called this institution the Central Planning Bureau. To implement the plan and to control the flow of resources, the Bureau would have to exercise broad discretionary power in economic affairs. Yet the Central Planning Bureau in a socialist society would have no market prices to serve as guides. It would have no means of knowing which production possibilities were economically feasible. The absence of a pricing system, Hayek said, would prove to be socialism's fatal flaw.

In *The Road to Serfdom* Hayek also argued that there was good reason to suspect that those who would rise to the top in a socialistic regime would be those who had a comparative advantage in exercising discretionary power and were willing to make unpleasant decisions. And it was inevitable that these powerful men would run the system to their own personal advantage.

Hayek was right on both counts, of course—on the economic as well as the political problem of socialism. The 20th century is replete with the blood of the innocent victims of socialist experiments. Stalin, Hitler, Mao, Pol Pot, and a host of lesser tyrants have committed heinous crimes against humanity in the name of one or another variant of socialism. Totalitarianism is not an historical accident that emerges solely because of a poor choice of leaders under a socialist regime. Totalitarianism, Hayek shows, is the *logical* outcome of the institutional order of socialist planning.

After the defeat in the public forum of his critique of Keynes and the controversy that arose over the debate on economic calculation under socialism, Hayek turned his attention away from technical economics and concentrated on restating the principles of classical liberalism. Hayek had pointed out the need for market prices as conveyors of dispersed economic information. He showed that attempts to replace or control the market lead to a knowledge problem. Hayek also described the totalitarian problem associated with placing discretionary power in the hands of a few. This led him to examine the intellectual prejudices which blind men from seeing the problems of government economic planning.

During the 1940s, Hayek published a series of essays in professional journals examining the dominant philosophical trends that prejudiced intellectuals in a way that did not allow them to recognize the systemic problems that economic planners would confront. These essays were later collected and published as *The Counter-Revolution of Science* (1952). *The Counter-Revolution*, perhaps Hayek's best book, provides a detailed intellectual history of "rational constructivism" and the problems of "scientism" in the social sciences. It is in this work that Hayek articulates his version of the Scottish Enlightenment project of David Hume and Adam Smith of using reason to whittle down

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the claims of reason. Modern civilization was not threatened by irrational zealots hell-bent on destroying the world, but rather it was the abuse of reason by rational constructivists trying to consciously design the modern world that had placed mankind in chains of his own making.

In 1950, Hayek moved to the University of Chicago, where he taught until 1962 in the Committee on Social Thought. While there, he wrote *The Constitution of Liberty* (1960). This work represented Hayek's first systemic treatise on classical liberal political economy.

In 1962, Hayek moved to Germany, where he had obtained a position at the University of Freiburg. He then increasingly centered his efforts on examining and elaborating the "spontaneous" ordering of economic and social activity. Hayek set about to reconstruct liberal social theory and to provide a vision of social cooperation among free individuals.

With his three-volume study, *Law, Legislation and Liberty* (1973-1979) and *The Fatal Conceit* (1988), Hayek extended his analysis of society to an examination of the "spontaneous" emergence of legal and moral rules. His political and legal theory emphasized that the rule of law was the necessary foundation for peaceful co-existence. He contrasted the tradition of the common law with that of statute law, i.e., legislative decrees. He showed how the common law emerges, case by case, as judges apply to particular cases general rules which are themselves products of cultural evolution. Thus, he explained that embedded within the common law is knowledge gained through a long history of trial and error. This insight led Hayek to the conclusion that law, like the market, is a "spontaneous" order—the result of human action, but not of human design.

Hayek's work in technical economics, political and legal philosophy, and methodology of the social sciences has attracted great interest among scholars of at least two generations, and interest in his work is growing. His contributions to economic and classical liberalism are vast and will live on in the progressive research program he has bequeathed to future generations of scholars.

Friedrich Hayek lived a long and fruitful life. He had to endure the curse of achieving fame at a young age and then having that fame turn to ridicule as the Keynesians and socialists gained popularity and the intellectual and political world moved away from his ideas. Fortunately he lived long enough to see his towering intellect recognized again. Both Keynesians and socialists were eventually defeated soundly by the tide of events and the truth of his teachings. Classical liberalism is once again a vibrant body of thought. Austrian economics has re-emerged as a major school of economic thought, and younger scholars in law, history, economics, politics, and philosophy are pursuing Hayekian themes. We may mourn the loss of this great champion of liberalism, but at the same time we can rejoice that F. A. Hayek left us such a brilliant gift.

A great scholar is defined not so much by the answers he provides as by the questions he asks. Successive generations of scholars, intellectuals, and political activists throughout the world will long be pursuing questions that Hayek has posed. □

F.A. Hayek

IDEAS ON LIBERTY

The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the rule; there is literally nothing which the consistent collectivist must not be prepared to do if it serves "the good of the whole," because the "good of the whole" is to him the only criterion of what ought to be done.... Once you admit that the individual is merely a means to serve the ends of the higher entity called society or the nation, most of those features of totalitarian regimes which horrify us follow of necessity. From the collectivist standpoint intolerance and brutal suppression of dissent, the complete disregard of the life and happiness of the individual, are essential and unavoidable consequences of this basic premise....

—*The Road to Serfdom*

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Tough Love for the Needy

by James L. Payne

Why do government welfare programs keep failing? Much of the problem can be summed up in one word: dependency. Government programs reinforce social pathologies they are trying to cure: they pay people for being out of work—and encourage unemployment; they pay people to have children they can't support—and encourage larger welfare families.

Even politicians agree that this one-sided giving is unhealthy. In their rhetoric, they condemn policies of "handout," and extol the virtues of the "helping hand." Yet in practice, program after program turns into another dependency-causing subsidy.

Nowhere is this pattern more dramatically illustrated than in programs to provide shelter for the unhoused. Governments keep increasing their efforts, only to reap ever-growing numbers of homeless. In New York, for example, to help street people the city has built 26,700 units of permanent housing, and has provided 23,000 temporary beds. Yet after spending $2 billion on these programs, the city's homeless problem is more acute than ever, with 50,000 now sleeping on the streets. The mayor's own commission on the homeless concedes defeat: "The current system must be seen as the failure it is."

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At the root of the failure of the government programs is irresponsible giving. When a person gives away his own, hard-earned funds, he wants to get full value for his sacrifice. He wants to make sure he is really helping someone, and not just throwing his money down the proverbial rat hole. In government welfare programs, legislators and administrators are not spending their personal funds. They are spending tax dollars, money taken involuntarily from other people. Hence, they lack a keen, personal interest in seeing that welfare dollars are spent constructively.

The value of direct, private giving is demonstrated by the success of a remarkable new organization in the housing field, Habitat for Humanity. Founded in 1976, Habitat is a Christian voluntary group that promotes housing for the poor. It has grown to 700 chapters in the United States, Canada, and Australia, and is adding a dozen new ones every month. World-wide, the organization built 4,300 homes in 1991; it expects to complete 6,000 in 1992.

All of the locally controlled chapters follow the "partnership" approach to building housing. The poor are assisted, but in return they must help themselves. They must put in "sweat equity" building their own homes (the typical requirement is 500 hours), and they must agree to make payments on a no-interest loan for the cash cost of their houses (which averages around $26,000). Habitat accepts no government funds and relies on donations and the volunteer labor of its mem-

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bers. A number of other voluntary groups are taking up this idea of self-help housing: Charis Community Housing group in Atlanta is one example; Southern Mutual Help Association in Louisiana is another.

The founder of Habitat, and its current president, Millard Fuller, explains its appeal: "People feel like they are a part of a permanent solution to a problem rather than putting a Band-Aid on it," he says. "They also feel they are helping to empower people, to make them stronger and to maintain their sense of self-dignity."

Empowering needy people is hard work. Each Habitat chapter has a family selection committee that interviews applicants and explains what is expected of them. Committee members investigate thoroughly to select families that want to make a success of the housing opportunity being offered. After the family moves into its Habitat-built home, a family nurture committee provides financial counselling, and encourages the family to live up to its contractual responsibilities.

The Effect of Sweat Equity

This attention pays off in an extremely low default rate on Habitat loans—a rate much lower than that of commercial banks, reports Fuller. "People don't like to disappoint somebody they know who loves them. We try to develop that relationship with the families: a close, loving, caring relationship." Another reason for the low default rate is the effect of "sweat equity."

"A person does not like to lose that which he or she built with their own hands. They have an emotional and psychological investment in it," says Fuller. "People don't feel connected to a government housing unit—because they had nothing to do with building it."

Even though defaults are few, they can occur. Habitat workers are willing to be resolute about evictions, when necessary, because it is their own sacrifice being wasted by the irresponsible family. "We emphasize partnership in Habitat," says Fuller. "We always would exercise mercy with people if there's a loss of job, or an unexpected illness. But if it becomes obvious that the family is not paying just because they'd rather use their money to buy beer, or go on joyrides, or to buy two or three television sets, when it becomes obvious that they're just trying to take advantage of the program, then we exercise what I call tough love, and say to them, 'You have decided, by your actions, not to be a partner in this ministry.'"

Contrast this firm stance with the typical practice in a government housing program. Just six blocks from my home is a HUD-subsidized apartment complex. There the tenants' rent is 30 percent of their incomes—whatever that happens to be. If their income is zero, then they pay zero rent. Naturally, this system discourages tenants from getting and keeping jobs: the taxpayers pick up the tab no matter what. The administrators in charge of the program don't mind: after all, it's not their money that's being thrown away.

Fuller is opposed to this indulgent approach. He uses an analogy with childrearing: "It's a bad parent who says to a child, 'You can do anything you want to, I'll still love you and support you. If you want to take drugs, rob a bank, shoot somebody, beat somebody up, tear the house up, that's okay because I love you.' What kind of love is that?" he asks indignantly. "You have to say, 'You have responsibilities.'"

This is Habitat's stance: "You have to say to the homeowners, 'We love you, we care for you—that's obvious because we worked with you to build this house—but you now have responsibilities. You're going to have to live up to them. If you don't, there will be consequences." In requiring that their tenants uphold their end of a partnership, Habitat workers promote self-reliance—and success—in the needy they are trying to help. □

President Franklin Pierce

IDEAS ON LIBERTY

I READILY and, I trust, feelingly acknowledge the duty incumbent on us all . . . to provide for those who, in the mysterious order of Providence, are subject to want and to disease of body or mind; but I cannot find any authority in the Constitution for making the Federal Government the great almoner of public charity throughout the United States. . . .

—From a veto message in 1854

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The Property Rights Origins of Privacy Rights

by Mary Chlopecki

Among the many sermons Senator Joseph Biden delivered from his pulpit as chairman of the Senate Judiciary Committee during the 1991 confirmation hearings of Supreme Court Justice Clarence Thomas was one that might have been entitled "Up with Privacy, Down with Property."

In a dramatic moment during this homily, Biden fashioned his arms into a scale to demonstrate how "traditionally" the courts have assigned tremendous value to privacy rights and a much lesser value to property rights.

Biden pointed to a 1977 Supreme Court decision, *Moore* v. *City of East Cleveland, Ohio*, as an excellent example of how the right to privacy protects precious and fundamental freedoms of Americans. In contrast, he invoked the works of Professors Richard Epstein and Stephen Macedo as representative of a dangerous intellectual extreme that seeks to gain increased protection for that most dubious of asserted rights, the right to property. Biden's goal, apparently, was to invite the Supreme Court nominee to join him on the record in glorifying privacy rights and denigrating property rights.

Perhaps the reason Biden failed is that privacy and property rights are intimately linked. Moreover, the integrity of privacy rights depends largely upon the protection of private property rights.

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Meaning and Origins of the "Right to Privacy"

The "right to privacy" has meant different things to different people and different things in different times. Scholar W. A. Parent considers the following to be the most common views of what the right entails: 1) the right to be left alone, 2) the right to exercise autonomy or control over significant personal matters, and 3) the right to limit access to the self.[1]

Given the variety of beliefs regarding the content of privacy rights, and the absence of an explicit reference to privacy in the Federal and in most state constitutions, it is no surprise that courts interested in protecting privacy have protected an array of interests in its name. For instance, the U.S. Supreme Court has within the scope of privacy protected child rearing and education, contraception, and abortion. It has also considered the issues of peddlers going onto private property and disturbing homeowners, and loud trucks running through residential neighborhoods to involve privacy interests.

The concept of privacy and limited privacy rights was recognized in ancient Athens. Indeed, the language, law, and writings of the period reveal that privacy and property in Athenian society were interconnected, and recognized as such.[2]

While Athenian law respected a form of privacy, Plato believed that privacy could not serve a constructive social or psychological purpose, and argued for the eradication of the private realm. He believed that wiping out private prop-

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erty would contribute significantly to the elimination of all that is private, including thoughts, emotions, desires, judgments, and decisions.

Plato's vision was never realized in Athens, nor was it influential in English and American jurisprudence, which continued in the Athenian vein to recognize and develop privacy rights in connection with property rights. In 18th-century England, the early parameters of what was to become the right to privacy were set in cases dealing with unconventional property claims. In *Pope* v. *Curl* (1741), a bookseller named Curl obtained and published, without consent of the authors, personal letters written to and by well-known literary figures, including Alexander Pope and Jonathan Swift. Pope sued Curl, seeking to have the book containing the letters removed from the market and Curl enjoined from similar actions in the future. The Lord Chancellor upheld the privacy of Pope's letters on the grounds that the writer of a letter has a property right in his words.

Extending Property Rights Protection

In the 1820 case of *Yovatt* v. *Winyard*, the court extended property rights protections to cover personal secrets. In that case, Winyard, a journeyman assistant, left the employ of Yovatt, a veterinarian, to start a competing business. Winyard used secret medicines in his new practice, providing clients with printed instructions on how to use them. Yovatt sued, alleging that Winyard had obtained the formulas for the medicines as well as the instructions for their use from him by surreptitious and clandestine means. Particularly, Yovatt believed Winyard had copied the information out of his personal book. The Lord Chancellor ruled in Yovatt's favor on the grounds that there had been a breach of trust and confidence, and ordered Winyard to stop using the formulas and instructions.

Yovatt brings to light the interesting and important fact that "what we now call 'unfair competition' and 'plagiarism' and 'privacy' were all wrapped together, in Yovatt's time, under the principle of 'property.'"[3] It was only later that these concepts were separated.

A third case that contributed to the development of privacy rights was *Prince Albert* v. *Strange and Others*, decided in 1849. The case was famous because the plaintiff was the husband of Queen Victoria, and the Queen herself was an aggrieved party in the suit. In dispute was the right of printer William Strange to sell reproductions of etchings that he had catalogued and printed without the consent of their creators, Queen Victoria and Prince Albert.

While the right to privacy was not explicitly recognized at the time, Victoria and Albert argued their case in terms of their right to keep private art they had created for their personal enjoyment. Realizing that the court would protect a property interest, but not an independent privacy interest, Strange's lawyer sought to capitalize on the distinction. He observed, "It has been argued that privacy is the essence of property, and that the deprivation of privacy would make it, in fact, cease to be property." He concluded that "the notion of privacy is altogether distinct from that of property." The court did not accept his argument. Ruling in favor of Victoria and Albert, the Vice Chancellor wrote: "Every man has a right to keep his own sentiments, if he pleases. He has certainly a right to judge whether he will make them public or commit them only to the sight of his friends. In that state the manuscript is, in every sense, his peculiar property; and no man can take it from him, or make any use of it which he has not authorized, without being guilty of a violation of his property."

According to one commentator, the most significant aspect of this case and its underlying philosophy is that it rested on a right of privacy, which the court considered a type of property right.[4] In fact, it appears that until 1890, no English court recognized the right to privacy independent of property rights.[5]

Across the Atlantic, the right to privacy was developing in a similar fashion, as an outgrowth of property rights. The Third, Fourth, Fifth, and Fourteenth Amendments to the United States Constitution all protected people and their property against government intrusions. In protecting property, these Amendments also protected privacy. "The legal maxim and popular proverb that 'a man's house is his castle' had wide application in the nineteenth century." Civil and criminal penalties threatened anyone who dared invade the sanctity of the home, or disturb the quiet possession of the householder.

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The Fourth Amendment's prohibition of unreasonable search and seizure, as well as the law of trespass, were viewed by courts as safeguards of a homeowner's privacy. Damages in trespass even included compensation for "invasion of privacy." The first United States Supreme Court decision interpreting the Fourth Amendment recognized an "indefeasible right of personal security, personal liberty and private property" against "all invasions on the part of the government and its employees of the sanctity of a man's home and the privacies of life."[6]

Contemporary Views of Privacy and Property

A critical event occurred in 1890, dramatically altering the course of the development of the right to privacy, and giving birth to the current philosophical dichotomy between privacy and property rights. That year, the *Harvard Law Review* published an article by Samuel Warren and Louis Brandeis entitled "The Right to Privacy." In that article, the authors argued that many decisions granting relief on the grounds of invasion of property, such as defamation, breach of confidence, or breach of implied contract, were really based on a broader principle—the right to privacy. Although they acknowledged that privacy was already protected within the ambit of property rights, they argued the right to privacy ought to be recognized and protected separately.

Warren and Brandeis believed that as society became more civilized and technology advanced, rights also should evolve to protect new threats to human dignity and emotions, and to preserve propriety and decency.[7] The article began the process of divorcing privacy from its historical and intellectual partner, property rights.

The result of this divorce has been a confused understanding of the origin of the right of privacy, as illustrated by the seminal Supreme Court decision in the area. In *Griswold* v. *State of Connecticut*, the Supreme Court construed the right to privacy as a "penumbra" formed by "emanations" from the First, Fourth, Fifth, and Ninth Amendments, but did not link privacy explicitly to property rights. Similarly, in decisions ranging from abortion to criminal search and seizure cases, the Court has loosened privacy protections from their property rights moorings. In the process, it has muddled the parameters of the right and allowed critics to argue that the right to privacy does not exist in the Constitution.[8]

Ironically, the false dichotomy between property and privacy rights—and the need to join the two concepts together again—is perhaps best illustrated by the case of *Moore* v. *City of East Cleveland*.[9] *Moore* involved the criminal prosecution of an elderly black woman who, by having two of her grandchildren (who were cousins) living with her, violated a local zoning ordinance limiting occupancy of residential dwellings to members of a single "nuclear" family.

A divided Court struck down the ordinance as unconstitutional. The plurality considered the ordinance a violation of the right to privacy, as protected by the Due Process Clause of the Fourteenth Amendment, noting that the Court has "long recognized that freedom of personal choice in matters of marriage and family life" is constitutionally protected.

Where *Moore* becomes interesting, however, is in the concurring opinion of Justice John Paul Stevens, who provided the swing vote in the 5-4 decision. Justice Stevens viewed the "critical question," as "whether East Cleveland's housing ordinance is a permissible restriction on [Mrs. Moore's] right to use her own property as she sees fit." Stevens observed, "Long before the original States adopted the Constitution, the common law protected an owner's right to decide how best to use his own property." In Stevens's view, the application of the ordinance constituted a "taking" without due process or just compensation, in violation of the Fifth Amendment.

The *Moore* case illustrates the interconnectedness between privacy and property rights. Given the same set of facts, four members of the Court believed privacy rights were jeopardized, while another believed property rights were threatened. Ultimately, the two segments came together to protect the rights at stake.

Since 1977 and the *Moore* decision, the composition of the Court has changed, and a majority now exists that does not view favorably rights that are not explicitly defined in the Constitution. Those like Senator Biden who do not understand the nexus between property and privacy rights may unwittingly be creating the groundwork for the Court to diminish protection for privacy. The most enduring protection for

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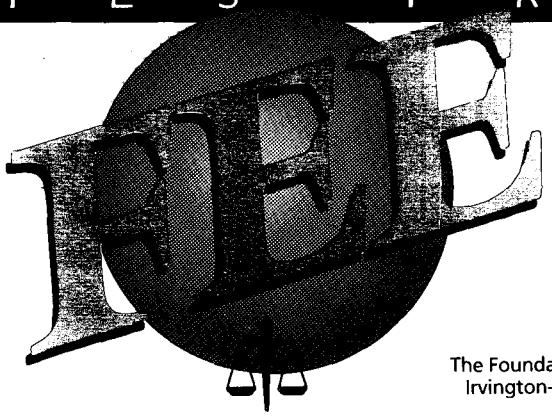

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August 1992

KNOWLEDGE AND WISDOM

Real knowledge does not come easily; it is achieved through study, work, experience, observation, and reflection. It cannot be acquired without the application of effort, and although many people wish to possess knowledge, few are willing to pay the price.

Wisdom is the right use of knowledge. He who knows may not be wise; he may know a great deal and be a fool nevertheless. It may even be said that there is no fool so great as a knowing fool.

The wise man is not merely knowledgeable; he is also just, upright, and truthful. He is honorable and fair in his dealings with his fellowmen, upright before God. He acts equally in public and private; he moves with fortitude, especially in the face of danger. In Judeo-Christian terms, he shuns the seven deadly sins: gluttony, pride, lust, envy, anger, covetousness, and sloth.

There is little public knowledge and even less wisdom in economic matters. Economic theory seeking to comprehend human action does not analyze ultimate ends; it does not advise man on his objectives, not on wealth or poverty, war or peace, life or death. Theory never judges these ends, but accepts them without prejudice. It deals only with the suitability of the means and policies adopted to attain these ends. If prosperity is the objective, economic theorists can provide the blueprint. If poverty is the goal, they can point the way. In short, they make no value judgments but deal exclusively with the effectiveness of means and measures.

American society is bitterly divided on some economic issues, giving rise to various political parties and numerous pressure groups. The discussions and debates often are fervent and fiery, especially in an election year when candidates for high office vie for public favor and votes. And yet, despite the raging altercations, most Americans and their representatives in the U.S. Congress usually agree on the ends — they merely differ on the policies to be chosen.

They all want economic prosperity and full employment, and only differ on the ways and means of realization. They differ on *economics*.

In order to achieve full employment, some candidates for political office would increase Federal spending on job training; others would spend more on public works and the infrastructure; yet others would boost the payroll tax financing unemployment benefits. A few lonely voices even call for reductions in government spending and elimination of government intervention in the labor markets.

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In order to improve the health care of all Americans, some politicians would expand the Medicare and Medicaid systems which compel taxpayers to provide medical services for the elderly and the poor; they would grant health insurance coverage to another 32 million Americans who chose to be without or cannot afford it. Others would force employers to provide the coverage, and some would nationalize health care services, making every worker in the field a civil servant, similar to the systems in Canada and Great Britain. A few lonely voices call for the early withdrawal of all politicians and officials from this vital industry.

Even the communists, socialists, and fascists of the world frequently emphasize their complete agreement with common economic goals: prosperity and rising incomes for all, but they differ radically from market economists in the ways and means of realization. They would confiscate all tools of production and place them in the hands of party politicians and government officials; they would replace the contract system of the market order with a comprehensive command and coercion system and prohibit free pricing and voluntary exchanges. They would do all these things, and many others, in order to achieve economic prosperity for all. Millions of communists, socialists, and fascists the world over are dreaming of economic bliss as soon as they come to power. Economists everywhere summarily reject such illusions.

Economic *wisdom* goes beyond economic knowledge; it builds on an ethical standard. It distinguishes between right and wrong and asserts what man ought to do. Economic wisdom warns against government policies which seize income and wealth from productive people and confer entitlements on others. To pursue the ideal of an equal distribution of the goods of this world is to build on envy and covetousness which jeopardize social harmony and economic peace. In the final analysis, it is highly immoral because it proposes to steal by political vote.

Wisdom affirms that we cannot build character and courage by depriving man of his self-reliance. We cannot help him permanently by doing for him what he should do for himself.

We cannot progress individually or nationally by spending more than we are earning. Thrift is an essential condition of all economic progress.

Wisdom looks askance at the inclination of the present generation to burden future generations with trillion-dollar debt. It abhors any attempt at stealing from children.

To make the world peaceful and happy, we must first put our own house in order. Wisdom begins at home.

Hans F. Sennholz

President

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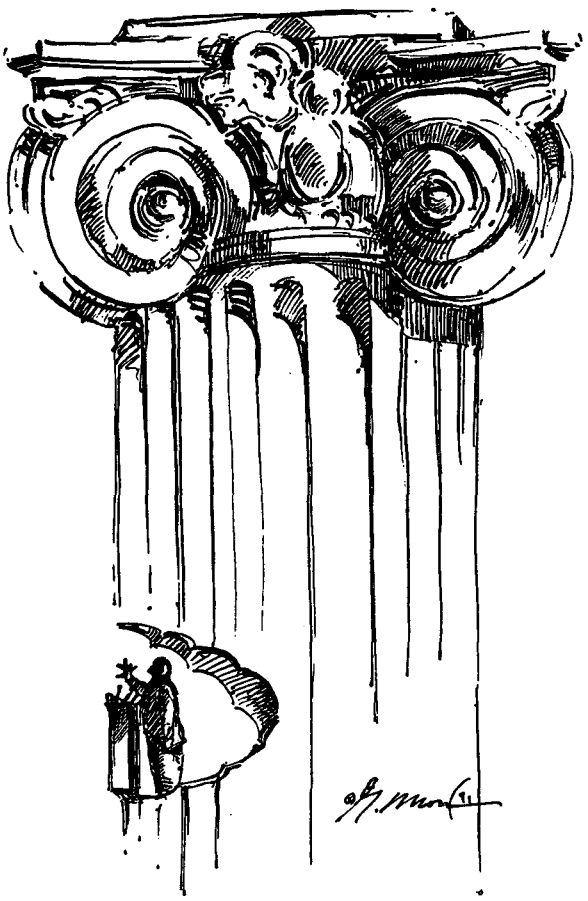

WASHINGTON POST WRITERS GROUP

both rights is to view each as indispensable to the other.

When asked about the *Moore* case, Judge Thomas replied that he agreed with the decision, and noted that his own family living arrangements as a boy in rural Georgia would have been unlawful under the East Cleveland ordinance. Thomas's personal experiences, growing up in an era of state-enforced segregation, likely gave him a keen appreciation for both property and privacy rights and for the consequences of denying such rights.

Out of the strange ritual that brought together the ideas of Clarence Thomas, Joseph Biden, Stephen Macedo, and Richard Epstein, among others, an important, although perhaps overshadowed issue emerged—what will be the destiny of privacy and property rights in the decades ahead? Interestingly, the answer may depend on whether the connection between privacy and property rights is rediscovered and acknowledged to be essential to our precious liberties. □

1. W. A. Parent, "Privacy, Morality, and the Law," *Philosophy and Public Affairs*, vol. 12, no. 4 (Princeton, N.J.: Princeton University Press, 1983), pp. 269-88.

2. See Barrington Moore, Jr., *Privacy: Studies in Social and Cultural History* (Armonk, N.Y.: M. E. Sharpe, 1984), pp. 82, 108, and 124.

3. Morris L. Ernst and Alan U. Schwartz, *Privacy: The Right to Be Let Alone* (New York: Macmillan, 1962), pp. 6-12.

4. *Ibid.*, pp. 14-22.

5. "The Right to Privacy in Nineteenth Century America," *Harvard Law Review*, vol. 94 (1981), p. 1892.

6. *Ibid.*, pp. 1894-1895, 1898.

7. Samuel Warren and Louis Brandeis, "The Right to Privacy," *Harvard Law Review*, vol. 4 (1890), p. 191.

8. 381 U.S. 617 (1965).

9. 431 U.S. 494 (1977).

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The $100 Tree Fern

by Donald G. Smith

I once owned a $1,000 dog. I got him for $2 and a $998 cat. —old vaudeville joke

Our house in Los Angeles featured a rather impressive planter area adjacent to the front porch. The builder—it was a new house—had put in a few plants to enhance its eye appeal, and one was a large Australian tree fern.

People who entered the house invariably informed me that the plant was worth $100: "That's what they go for in the nurseries." I repeatedly offered to sell them the plant, but they weren't interested. It supposedly was worth $100, but no one would pay it.

Eventually the fern grew to such mammoth proportions that it was starting to take over the porch, and it was clear that it had to go. I offered it for $50, then $25, then free to anyone who would cart it off. There were no takers, and I wound up paying to have it cut up and hauled away. Still, I was often told in subsequent conversations that the plant had a value of—what else? —$100.

What it boils down to is a gross misunderstanding of basic economics. My plant would have been worth $100, $500, or $1,000 if anyone had been willing to pay that amount. The truth was that it was worth nothing—in fact, less than nothing because I had to pay to get rid of it. To put it simply, an item or service is worth only what another person is willing to pay.

This is the very core of the capitalistic system —the marketplace. Those who understand it generally prosper, and those who don't haven't a chance.

We have all read, for example, that no baseball player is worth $5 million a year. In the days of Ted Williams and Joe DiMaggio, we heard that no player was worth $100,000. Whatever the amount, it is a naive statement because it is the marketplace that dictates what a ballplayer, or anyone else, is worth. One can't compare a professional athlete with, say, a classical musician, or a real estate agent with a locksmith. A person's services are worth what he can command in the market.

I have talked with people who believe that we should place a dollar value on occupations—through government, of course. They envision a great chart in which a typist might make X dollars, a plumber Y dollars, and a college professor Z dollars. But market values aren't static. The typist is worth more than the plumber or the college professor if a writer has to get a manuscript in the overnight mail, and the plumber's value goes up when the basement is flooded.

Where, in this great chart of human values, would we place a high-school-dropout rock musician who cannot name his state capital but who can sell out the Los Angeles Coliseum in a matter of hours? The great chart-maker might put him at a minimum wage level, but the marketplace says he is worth millions. There is no set value for an entertainer. If he sells tickets, he is a valuable property. If no one will pay to see him or buy his cassettes, he is worth very little.

This brings us back to the premise that the economic value of anything is determined solely by what it will bring in the marketplace.

Price controls, rent ceilings, minimum wage laws, and other artificial constraints are really worthless because they are injected into the economy to hold back a tide that isn't going to be held back. If a person is worth less to an employer than the minimum wage, he isn't going to be hired. If a price ceiling is far below the real value of a product or service, the item either goes off the market or follows an illegal path to its realistic level. The market value will prevail one way or another.

All of which leads back to my marvelous Australian tree fern. Whatever pleasure I derived was from the delusion that I had a $100 item greeting guests as they entered my house. It wound up as a great disappointment, but now I have something even better. This is my $5,000 pine-cone collection. I have decided never to sell it. □

Mr. Smith, a frequent contributor to The Freeman, *lives in Santa Maria, California.*

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How Capitalism Saved the Whales

by James S. Robbins

It is an article of faith among environmentalists that the ills of the world can be traced to economic and technological development, especially since the industrial revolution. The changes that took place in the late 18th and early 19th centuries, such as harnessing new sources of energy (moving from water to coal power, for example), the development of the factory system, and the human population explosion, they say, led directly to the current problems with waste disposal, air and water pollution, overcrowding, and misused resources, not to mention global warming, ozone depletion, acid rain, and other highly speculative developments.

Fixation on doomsaying can cause environmentalists to forget that the negative consequences of industrialization are minute compared to the positive developments of the industrial age. People are healthier, live longer, and are more productive than ever before in history. But defenders of industrialism can go even further to show that in many cases technological progress has benefited the environment. This is vividly demonstrated in the case of one of the most emotion-laden symbols of environmentalism, the whales.

At the dawn of the industrial age, whales were an important natural resource which humans had been exploiting for centuries. Whales were especially valued for their oil, which was used primarily as fuel for lamps. It was also used for heating, for lubrication, soap, paint and varnish manufacturing, and the processing of textiles and rope. The Japanese among others had long acquired a taste for whale meat. Regular whale oil ("train oil") was extracted from the blubber which encased the whale's body. But the best oil was spermaceti, found only in the nose of the sperm whale. If exposed to air it would congeal, and was used for smokeless candles, regarded as the finest quality candles ever made.

The sperm whale also sometimes produced ambergris, a sticky substance from the intestines used in the manufacture of perfume. Baleen, the bony, plankton-straining ribs in the mouths of most whales (excepting the sperm whale), was lightweight and had good tensile qualities. It was used for a variety of things, including corset stays, umbrella ribs, fishing rods, buggy whips, carriage springs, and skirt hoops. Bones from the body were generally used as fertilizer.

Whaling was a major industry in the 19th century, and the United States was the pre-eminent whaling nation. According to tradition, American commercial whaling began in 1712 in New England. Whaling expanded through the 18th century, but was disrupted by the American Revolution and the Napoleonic Wars. In 1815 came peace and rapid growth in the industry. By 1833 there were 392 American whaling vessels. By 1846 there were 735 whalers, comprising 80 percent of the whaling fleet of the entire world. Each year whaling produced 4-5 million gallons of sperm oil, 6-10 million gallons of train oil, and 1.6-5.6 million pounds of bone. The price of train oil rose from 35 cents per gallon in 1825 to 95 cents in 1855.

James S. Robbins, who has a Ph.D. from the Fletcher School of Law and Diplomacy, is an assistant editor of Liberty *magazine and has written for* The Wall Street Journal.

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OILY GAMMON
WE WAIL NO MORE FOR OUR BLUBBER
THE OIL WELLS OF O-I-A
AND MAY THEY NEVER SECEDE
MINERAL OIL
OIL'S WELL THAT ENDS WELL

COURTESY OF JAMES S. ROBBINS

A 19th-century illustration which carried the caption, "Grand ball given by the whales in honor of the discovery of the oil wells in Pennsylvania."

Though large, whaling was not a robust industry. Even with rising prices, profit margins were always slim, and one in ten ships typically lost money on a voyage. In 1858, a very poor year, 64 percent failed to make a profit. But whalers could always count on an increasing demand for their products, as populations grew and markets expanded accordingly. Had the whaling industry matched the 300 percent population growth from 1850 to 1900, many species of whale would have been extinct long ago.

The Role of Technology in Saving the Whales

Yet, the American whaling industry peaked in the 1850s. The reason for its decline was not because of public awareness of the evils of whaling, it was not because of consciousness-raising efforts by pioneer environmentalists, and it definitely was not because of legislation. The whales were saved because of the march of technology.

The first step that led to saving the whales was made by Dr. Abraham Gesner, a Canadian geologist. In 1849, he devised a method whereby kerosene could be distilled from petroleum. Petroleum had previously been considered either a nuisance, or a miracle cure (an idea originating with Native Americans). Earlier coal-gas methods had been used for lighting since the 1820s, but they were prohibitively expensive. Gesner's kerosene was cheap, easy to produce, could be burned in existing lamps, and did not produce an offensive odor as did most whale oil. It could be stored indefinitely, unlike whale oil, which would eventually spoil. The American petroleum boom began in the 1850s. By the end of the decade there were 30 kerosene plants operating in the United States. The cheaper, more efficient fuel began to drive whale oil out of the market.

The man most responsible for the commercial success of kerosene was John D. Rockefeller. In 1865, at the age of 25, he went into partnership with Samuel Andrews, the part-owner of a Cleveland refinery. Rockefeller had sensed that too much capital was being invested in finding and extracting oil, and not enough was being invested in its processing. Backed by investors, he set up a network of kerosene distilleries which would later develop into Standard Oil.

As kerosene became generally available throughout the country, the demand for whale oil dropped precipitously. The 735-ship fleet of 1846 had shrunk to 39 by 1876. The price of sperm oil reached its high of $1.77 per gallon in 1856; by 1896 it sold for 40 cents. Yet it could not keep pace with the price of refined petroleum, which dropped from 59 cents per gallon in 1865 to a fraction over seven cents in 1895.

Rockefeller, too, would eventually find himself having to adapt to the changing market. A new invention soon snuffed out both flame-based lighting systems. In 1879 Thomas A. Edison began marketing the incandescent light bulb he had invented the previous year. Arc-light technologies had existed since the turn of the century, but it was

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Edison who devised the modern, commercially feasible light bulb, which produced an even light, burned longer and brighter than oil or kerosene, and was much safer than an open flame. As the country was electrified, whale oil and kerosene were both driven from the illumination market.

American whaling might have expired then, but for the vagaries of fashion. The peripheral market in baleen and whalebone suddenly exploded as more women began to wear corsets, bustles, and other garments that relied for their shape upon the pliant material. From 32 cents per pound in 1870, whalebone rose to $1.12 in 1875, and $3.25 in 1878, reaching $5.00 at the turn of the century. Whalebone constituted 80 percent of the value of a bowhead—sperm whales were given a respite because of their lack of baleen. But by 1908, this market crashed as well. Spring steel replaced whalebone in women's fashions, and as automobiles supplanted horse-drawn carriages, demand for whalebone buggy whips and wagon suspensions collapsed. A few American whalers stayed in business, but their time had passed. The last American whaler left port in 1924, and grounded on Cuttyhunk Island the next day.*

Stopping technology in its tracks in the 1850s would have doomed the whales. But suppose whaling had been outlawed then, as it is now? The immediate effect would have been a dramatic decline in quality of life. Would kerosene and electric lamps have come on the scene any faster, in reaction to the sudden surge in demand for substitutes? Maybe—but at the cost of the spirit of innovation which brought the inventions on the scene in the first place. A government which can squelch one endeavor, such as whaling, can outlaw any enterprise. The unpredictability and capriciousness of the state is the true enemy of innovation. Gesner, Rockefeller and Edison had no intention of saving the whales. Their primary motivation was to make a profit. If the government fosters an atmosphere in which innovation and profit making potential are subject to whims of bureaucrats, lawyers and politicians, and not based in the abilities of creative people to find innovative solutions to public needs, innovators will not set their minds to the task, and no state whip can force them to do so. In its time, killing whales was rational, goal-oriented activity, fulfilling human needs. It was not "mindless slaughter" for fun or sport. And the decline of whaling was also rational; human needs remained, even increased—but human ingenuity had found better ways to meet those needs. The whale industry declined—not because of concern for the whales, not because of legislation, but because they were no longer a necessary resource.

The whales were not the only beneficiaries of the technological advancements of the 19th century. The Galapagos tortoise was driven almost to extinction because the islands were in the center of a major whaling area, and sailors killed the tortoises for fresh meat. In northern climes, whalers sometimes killed blubber-rich arctic seals to augment their oil stores. Both of these animals were saved by the decline of whaling. Oil-drilling in Pennsylvania restored many lakes which had been contaminated by natural petroleum leaks. These were all unintended consequences; but the fact that technological development under capitalism manages to produce such consequences consistently argues in favor of the system.

Humans are problem solvers, and the human mind should not be prevented from doing what only it can do. Creative solutions are superior to state restrictions because they strike at the causes of problems, not their effects. Furthermore, just as creative action produces unintentional positive consequences, restricting innovation multiplies negative effects. No one, especially government agencies or neo-Luddites, can anticipate the indirect or unintended favorable consequences of technological innovation. This is why Abraham Gesner, John D. Rockefeller and Thomas Edison saved more whales than GreenPeace ever will. □

*Despite the extinction of American whaling, the whales were not yet safe. The whaling mantle passed to other countries, notably Norway, Japan, and the Soviet Union. Critics of technological development can point to other inventions which kept whaling on the margins of profitability, notably the rocket harpoon, and the harpoon cannon. The process of hydrogenation gave whale oil new markets in soap and margarine. A by-product of whale oil is glycerine, used in manufacturing explosives, and the two World Wars guaranteed a market. The Japanese took increasing numbers of whales for food, and the Soviets used them for animal fodder and fertilizer. By the middle of the 20th century whaling had revived.

The second cycle of whaling was more destructive than the first in absolute number; but it never equalled the per capita whale consumption of the previous century. Had per-capita rates of the 1850s continued unabated, the total would have been three times that number in the American market alone.

The situation would have been worse for less numerous species. In the first two decades of the 19th century, American whalers killed right whales at an average of almost 15,000 per year. When whaling dropped off at the end of the century, there were only about 50,000 right whales left alive.

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Charity in the Land of Individualism

by John D. Fargo

It was back on the farm, late 1940s, along the northwestern edge of the corn belt—in the land of individualism. Folks were poor, and only the more rugged had survived the ravages of the Great Depression, but times were better now.

A new farmer moved in and rented the farm across the section. I'll call him George. Within this self-reliant culture, George didn't fit in well. Each farm, a piece of carefully marked-off private property, was conscientiously cared for by the farmer and his family, but not George's.

This was before farmers used chemical weed killers. Thus, each farmer had to control weeds the hard way, by laboriously chopping them down, lest they go to seed and infest not only his fields but those of his neighbors. But not George.

We shared three-quarters of a mile of fence with George. Each farmer took care of half his common fences, making repairs when needed and chopping the weeds out of the fence row each summer. But George never laid a hand on any part of that fence.

Thistles were a nasty problem. Patches of these perennial weeds choked out the grain, and with no chemicals they were all but impossible to destroy. In the fall the thistles released thousands of tiny seeds that floated in the wind and could spread for miles. It was understood in the land of individualism that no one let his thistles go to seed—but George exempted himself. His farm became an eyesore in a culture where pride in one's property, rented or otherwise, ran high.

Mr. Fargo is a railroad worker in Los Angeles and a part-time student at California State University, Los Angeles.

Farmers often had to extend themselves. For example, instead of the normal 12-hour workday, they might put in 15 to 18 hours a day to get the hay crop in before a rainstorm. But George was too irresponsible to put forth the extra effort.

Corn, which requires a relatively long growing season, was the main crop back then, but it was vulnerable along the northwestern edge of the corn belt. Farmers had no commercial grain driers; most of them didn't even have electricity. Thus, to prevent spoilage, the corn had to be left in the fields until it became sufficiently dry. This meant waiting until October, when early snows threatened to bury the crop.

Every October the race was on—to beat that first snowstorm and get the corn in. Corn-picking machines were repaired, greased, and ready to go. Corn cribs were built, farm kids skipped school to help with the harvest, and the time for 16-hour days, seven days a week, was on. But not George—his dilapidated corn picker wasn't ready. And his three little kids were too young to help bring in the crop.

Tragedy Strikes

Machinery was primitive by today's standards. Corn pickers often broke down, and dry corn husks often wouldn't feed down between the steel husking rollers. Instead, they accumulated above the rollers, plugging up the machine. The operator was constantly stopping his machine to dig out the jammed husks. It was a tedious process.

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But there was an faster and easier way of handling this problem: leave the machine running, reach in with your hand, and push the husks down so they would feed through the steel-ridged rollers. It was dangerous; a man could lose his fingers.

Well, George did it the easy way. He had barely gotten started with his corn picking when those steel rollers grabbed his fingers. All the doctor could salvage of his mutilated right hand was part of one finger and his thumb, minus the nail.

"He probably deserved it." I never heard those words spoken, but I don't doubt that the thought ran through a mind or two. In any event, the forces of selection had weeded George out. Farming required a strong back and two good hands, and this incident ensured that George would never farm again.

Word of the tragedy spread rapidly. The next day, a neighbor drove up to where we were working and talked briefly to my father. The neighbor planned to work in George's fields the following day—maybe get some of his crop in—and thought we might like to help.

Early the next morning, we pulled into George's farm with our corn picker, wagons, elevator (a long conveyor mechanism that lifted the corn into the cribs), and hoist (which lifted the front end of the wagons for easier unloading). George had no permanent corn cribs, so we scrounged around in the dark, looking for pieces of old corn-crib fencing to construct temporary cribs. About then, another farmer pulled in with a trailer loaded with brand new corn-crib fencing.

Before daybreak, we had the elevator up and running, the bottom rung of the corn crib built, and the first loads of corn already were coming in from the fields. The bitter cold penetrated to the bone, and I was anxious to start unloading wagons.

A young farmer drove in with his corn picker, stopped where I was working, and asked if he could help me unload wagons. That seemed strange because running the elevator and hoist, tending the temperamental gasoline engine that powered the works, and unloading the wagons was normally a one-man job. He insisted until I convinced him that I could handle it—and they probably needed him and his corn picker in the fields. It wasn't until he left that I realized it was probably my age that had prompted his offer. I was 11 or 12 at the time, but younger kids than I were operating the tractors that pulled the wagons loaded with corn.

Judging by the rate the corn started coming in, I figured there must have been a dozen corn pickers running. A second elevator pulled into the farmyard and was set up nearby. More corn pickers arrived—their faded yellow, green, or red paint showing through the dirt and grime of the machines. By mid-morning the place was swarming with people and machines.

Farm wives drove in with pots and baskets of food for dinner (the noon meal). The area near the farmhouse was beginning to look like a small parking lot. The house could not hold everyone, so we ate in shifts. Most ate quickly and quietly, then returned to work. I didn't know of anyone who was on "visiting terms" with George and his family.

By mid-afternoon, some of the corn pickers were returning from the fields, pulling through the farm yard, and leaving. One farmer, pulling in a load of corn, said that most of the corn was picked and they were starting to get in each other's way. Before dark George's entire crop was harvested, and he hadn't even returned from the hospital.

The remaining operators were solemnly departing. I counted over 20 corn pickers leaving, but there weren't that many farmers in the area. Some of them must have pulled their machines several miles in order to help out. Now, each farmer was going his own way, returning to his own fields where he would work late into the night in that annual race with the snowstorms.

That was how charity worked in the land of individualism, back before the welfare state became entrenched.

It may take the world a while, but eventually it will discover that true charity lies deep within the fertile soil of authentic individualism. These rugged souls, who dare to stand alone, tend to have hearts of gold. □

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Freedom and Majority Rule

by Edmund A. Opitz

Lord Northcliffe, the publisher of the *London Times,* came to this country a few years after World War I. A banquet in his honor was held in New York City, and at the appropriate time he rose to his feet to propose a toast. Prohibition was in effect, you will recall, and the beverage customarily drunk by Northcliffe in his homeland was not available here. So Northcliffe raised his glass of water and said: "Here's to America, where you do as you please. And if you don't, they make you!"

Here, in this land of the free, "we" as voters had amended the Constitution to punish conduct which "we"—as consumers—had been enjoying. If you point out that the 18th Amendment had been inserted into the Constitution by majority vote, and that therefore "we" had done it to "ourselves," you need to be reminded that the "we" who did it were not the same people as the "ourselves" to whom it was done!

The 18th Amendment was repealed by passage of the 21st Amendment in 1933. Shortly thereafter another prohibition law was passed, this one a prohibition against owning gold. Under the earlier dispensation you could walk down the street with a pocketful of gold coins without breaking the law; but if you were caught carrying a bottle of whiskey you might be arrested. Then the legal switcheroo occurred, and you could carry all the whiskey you wanted, but if you had any gold in your pocket you could be thrown in jail!

Our scientists are exploring outer space looking for intelligent life on other planets. I hope they find some, because there's none to spare on planet Earth! With how little wisdom do we organize our lives, especially in the areas of government and the economy. We've been going by dead reckoning for too long, and our dumb luck has just about run out.

Our present subject is political philosophy. This is a complex subject, so we shall do no more than ponder the first step. The big question in any serious theory of politics is to decide what's political and what's private. In a totalitarian nation there is no sector of life which is intrinsically private; the whole of life is politicized. The State controls economic life; there is a State Church; there is a controlled press; the schools are all run by government. Big Brother oversees every activity. When people in such a nation decide to move in the direction of a free society, they do so by carving private sectors out of what had hitherto been 100 percent public.

You're all familiar with the division of society into the private, voluntary sector, in contrast to the public, governmental, coercive sector; and you know that "the history of liberty is the history of the limitations placed upon governmental power." It is obvious that the more things the law commands you to do the fewer the things you may do freely, on your own initiative. If the public, governmental sector extends over 50 percent of the society, this means that the people of this society, are half free and half unfree. We become

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freer only as we limit government to its proper competence. But what *is* government's proper competence?

In the 18th century they put the question as follows: What shall be the extent of rule? This is the fundamental, primordial question in political philosophy, but we'd phrase it differently. What are the functions appropriate to the political agency? we would ask. What is the role of the law? What tasks should be assigned to Washington or some lesser governmental agency, and in what sectors of life should people be free to pursue their own goals? When should legal coercion be used to force a person to do something against his will?

What Functions Are Appropriate?

In the light of government's nature, what functions may we appropriately assign to it? This is the question, and there are two ways to approach it. The approach favored today is to count noses —find out what a majority of the people want from government, and then elect politicians who will give it to them! And believe me, they've been giving it to us!

The other approach, the one favored by our ancestors, was to think about the matter, employing relevant intellectual and moral considerations in order to decide what the law should and should not do. The backbone of every legal system is a set of prohibitions, a series of "Thou Shalt Not's." The law forbids certain actions and punishes those who persist in them, so we need to know what actions should be forbidden. Our moral code prescribes what not to do, so the solid core of any legal system is the moral code, which, in our culture is conveyed to us by the Mosaic Law: the Ten Commandments. The Sixth Commandment of The Decalogue says: "Thou shalt not commit murder," and this moral imperative against murder is built into every statute which prescribes punishment for homicide. The Eighth Commandment says: "Thou shalt not steal," and this moral norm gives rise to laws punishing theft.

There is a moral law against murder because each human life is precious; and there is a moral law against theft because rightful property is an extension of the person. "A possession," Aristotle writes, "is an instrument for maintaining life." Deprive a person of the right to own property and for his own survival he has to become the property of someone else—a slave. The master-slave relation is a violation of the rightful order of things, the rightful order being individual liberty and voluntary association.

The Gift of Life

We've taken care of the right to life and the right to property; what about liberty? Reflect on the fact that every human being has the gift of life, and each of us is charged with the primary responsibility of bringing his own life to completion. Each one of us is also a steward of the earth's scarce resources, which we must use wisely and economically. In short, we are responsible beings. But no person can be held responsible for the way he lives his life and conserves his property, unless he is free. Responsibility—Freedom; two sides of one coin. Liberty, therefore, is a necessary corollary to Life and Property. Our forebears regarded Life, Liberty, and Property as natural rights, and the importance of these basic rights was stressed again and again in the oratory, the preaching, and the writings of the 18th century. Life, Liberty, and Property are potent ideas because they transcribe into words an important aspect of the way things are.

Our ancestors founded their legal and moral codes on the nature of things, on what they believed to be real—just as students of the natural sciences frame their scientific laws to describe the way things behave. For example: physical bodies throughout the universe attract one another; the attraction increases with the mass of the attracting bodies and diminishes with the square of the distance between them. This has always been so, but it was Sir Isaac Newton who made some observations along these lines and gave us the law of gravitation. How come gravitational attraction varies as the inverse square of the distance, and not as the inverse cube? One is as thinkable as the other; but it just happens that the universe is prejudiced against the inverse-cube in this instance; precisely as this same universe is prejudiced against murder, has a strong bias in favor of property, and wills that men and women be free.

Immanuel Kant echoed an ancient sentiment when he declared that two things filled him with awe: the starry heavens without, and the moral law within. The precision and order in nature manifest the Author of nature, the Creator. The Creator is also the Author of *our* being and requires certain

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duties of us, his creatures. There is, thus, a reality outside of us joined to the reality within, and this twofold reality—inner and outer—has an intelligible pattern, a coherent structure. This dual arrangement is not made by human hands; it's unchangeable, it's not affected by our wishes, and it can't be tampered with. It can, however, be misinterpreted, and it may be disobeyed. We consult certain portions of the exterior pattern and draw up blueprints for building a bridge. If we misinterpret, the bridge collapses. And a society disintegrates if its members disobey the configuration laid down in the nature of things for our guidance. This configuration is the moral order, as interpreted by reason and tradition.

The point, simply put, is that our forebears, when they wanted some clues for regulating their private and public lives, anchored their beliefs in a reality beyond society and superior to government. They thought their way through to the idea of a sacred order which overarches the world—the order of creation. They figured out that our duties within society reflect the mandates of this divine order.

Take a Poll

This view of one's duty is quite in contrast to the method currently popular for determining what we should do politically, which is to conduct an opinion poll. Find out what the crowd wants, and then say, "Me too!" This is what the advice of certain political scientists boils down to. Here is Professor James MacGregor Burns, a self-professed liberal and the author of several highly touted books, including *The Deadlock of Democracy* and a biography of John F. Kennedy. Liberals play what Burns calls "the numbers game." "As a liberal I believe in majority rule," he writes. "I believe that the great decisions should be made by numbers." In other words, don't bother to think; just count! "What does a majority have a right to do?" he asks. And he answers his own question. "A majority has the right to do anything in the economic and social arena that is relevant to our national problems and national purposes." And then, realizing the enormity of what he has just said, he backs off: " . . . except to change the basic rules of the game."

Burns's final disclaimer sounds much like an afterthought, for some of his liberal cohorts support the idea of unqualified majority rule. The late Herman Finer, in his anti-Hayek book entitled *Road to Reaction,* declares "For in a democracy, right is what the majority makes it to be." (p. 60) What we have here is an updating of the ancient "might makes right" doctrine. The majority does have more muscle than the minority, it has the power to carry out its will, and thus it is entitled to have its own way. If right is whatever the majority says it is, then whatever the majority does is O.K., by definition. Farewell, then, to individual rights, and farewell to the rights of minorities; the majority is the group that has made it to the top, and the name of the game is winner take all.

The dictionary definition of a majority is 50 percent plus 1. But if you were to draw up an equation to diagram modern majoritarianism it would read:

50% plus 1 = 100%
50% minus 1 = 0

Amusing confirmation comes from a professor at Rutgers University, writing a letter to *The Times.* Several years ago considerable criticism was generated by the appointment of a certain man to a position in the national government. Such criticism is unwarranted, writes our political scientist, because the critics comprise "a public which, by virtue of having lost the last election, has no business approving or disapproving appointments by those who won." This is a modern version of the old adage, "To the victor belong the spoils." This Rutgers professor goes on to say, "Contrary to President Lincoln's famous but misleading phrase, ours is not a government by the people, but government by government." So there!

The Nature of Government

What functions may we appropriately assign to the political agency? What should government do? Today's answer is that government should do whatever a majority wants a government to do; find out what the people want from government, and then give it to them. The older and truer answer is based upon the belief that the rules of living together in society may be discovered if we think hard and clearly about the matter and the corollary that we can conform our lives to these rules if we resolve to do so. But I have said nothing so far about the nature or essence of government.

Americans are justly proud of our nation, but this pride sometimes blinds us to reality. How

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often have you heard someone declare, "In America, 'We' are the government." This assertion is demonstrably untrue; "we" are the society, all 250 million of us; but society and government are not at all the same entity. Society is all-of-us, whereas the government is only some-of-us. The some-of-us who make up government would begin with the President, Vice-President, and Cabinet; it would include Congress and the bureaucracy; it would descend through governors, mayors and lesser officials, down to sheriffs and the cop on the beat.

A Unique Institution

Government is unique among all the institutions of society; society has bestowed upon this one agency, government, the exclusive right to use legal force in specified situations. Governments use persuasion and they employ advertising technicians and public relations experts. They invoke the symbols of authority, legitimacy, and tradition—as do institutions like the Church and the School. But only one agency has the power to tax; only one agency has the authority to operate the system of courts and jails; only one agency has a warrant for mobilizing the machinery for making war; and that is government, *the* power structure. Monarchy, aristocracy, democracy—it doesn't matter. Governmental action is what it is, no matter what rationale might be offered to justify what it *does*. Government always acts with power; in the last resort government uses force to back up its decrees.

It is a truism that government is society's legal agency of compulsion. Virtually every statesman and every political scientist—whether Left or Right—takes this for granted and does his theorizing from this as a base. "Government is not reason, it is not eloquence," wrote George Washington; "it is force." Bertrand Russell, in a 1916 book, said, "The essence of the State is that it is the repository of the collective force of its citizens." Ten years later, Columbia University professor R. M. MacIver spoke of the state as "the authority which alone has compulsive power." The English writer Alfred Cobban says that "the essence of the State, and of all political organizations, is power."

But why belabor the obvious except for the fact that so many of our contemporaries—those who say "we are the government"—overlook it? What we are talking about here is the power of man over man; government is the legal authorization which permits some men to use force on others. Whenever we advocate a law to accomplish a certain goal, we advertise our inability to persuade people to act in the manner we recommend, so we're going to force them to conform! As Sargent Shriver once put it, "In a democracy you don't compel people to do something, unless you are sure they won't do it."

In the liberal mythology of this century, government is all things to all men. Liberals think that government assumes whatever characteristics people wish upon it—like Proteus in Greek mythology who took on one shape after another, depending on the circumstances. But government is not an all-purpose tool; it has a specific nature, and the nature of government determines what government can accomplish. When properly limited, government uses lawful force to annul violence and redress injury, thus limited government serves a social end no other agency—call it what you will—can achieve. But when the proper limits are overstepped, a government's use of force is destructive. The alternatives here are defensive force versus aggressive force; or law versus tyranny—as the Greeks would have put it. Here's how Aeschylus saw it in his drama *The Eumenides*: "Let no man live uncurbed by law, nor curbed by tyranny."

The Moral Code

If the political agency is to serve a moral end it must not violate the moral code. The moral code tells us that human life is sacred, that liberty is precious, and that ownership of property is good. And by the same token, this moral code supplies a definition of criminal action; murder is a crime, theft is a crime, and it is criminal to abridge any person's lawful freedom. It is the essential function of government, then, in harmony with the moral code, to use lawful force against criminals in order that peaceful citizens may go about their business. The use of lawful force against criminals for the protection of the innocent is the earmark of a properly limited government. Standing in utter contrast is the State's use of tyrannical force on peaceful citizens—whatever the excuse, or whatever the rationalization. It's the contrast between defense and aggression, between the rule of law and oppression.

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People should not be forced into conformity with any social blueprint; their private plans should not be overridden in the interests of some national plan or social goal. Government—the public power—should never be used for private advantage; it should not be used to protect people from themselves. Well, then, what *should* the law do to peaceful, innocent citizens? It should let 'em alone! When government lets John Doe alone, and punishes anyone who refuses to let him alone, then John Doe is a free man.

In this country we have a republican form of government. The word "republic" is from the Latin words, *res* and *publica,* meaning the things or affairs which are common to all of us, the affairs which are in the public domain, in sharp contrast to matters which are private. Government, then, is "the public thing," and this strong emphasis on public serves to delimit and set boundaries to governmental power, in the interest of preserving the integrity of the private domain.

What's in a name? you might be thinking. Well, in this case, in the case of *republic,* a lot. The word "republic" encapsulates a political philosophy; it connotes the philosophy of government that would limit government to the defense of life, liberty, and property in order to serve the ends of justice. There's no such connotation in the word "monarchy," for example; or in aristocracy or oligarchy.

A monarch is the sole, supreme ruler of a country, and there is theoretically no area in the life of his citizens over which he may not hold sway. The king owns the country and his people belong to him. Monarchical practice pretty well coincided with theory in what is called "Oriental Despotism," but in Christendom the power of the kings was limited by the nobility on the one hand, and the Emperor on the other; and all secular rulers had to take account of the power of the Papacy. Power was thus played off against power, to the advantage of the populace.

Individual Liberty

The most important social value in Western civilization, historically, is the idea of individual liberty. The human person was looked upon as God's creature, gifted with free will which endows him with the capacity to choose what he will make of his life. This is our inner, spiritual freedom and it must be matched by an outer and social liberty if man is to fulfill his duty toward his Maker. Creatures of the state cannot achieve their destiny as human beings; therefore, government must be limited to securing and preserving freedom of personal action within the rules, and the rules must be designed to maximize liberty and opportunity for everyone.

Now, unless we are persuaded of the importance of freedom to the individual, it is obvious that we will not bother to structure government around him to protect his private domain and secure his rights. So, the idea of individual liberty is the key. This idea is as old as Christianity but it was given a tremendous boost in the 16th century by the Reformation and the Renaissance. The earliest manifestation of this renewed idea of individual liberty was in the area of religion, issuing in the conviction that every person should be allowed to worship God in his own way. This religious ferment in 16th-century England gave us Puritanism. Early in the 17th-century, Puritanism projected a political movement whose members were contemptuously called Whiggamores—later shortened to Whigs—a word roughly equivalent to "cattle thieves." The king's men were called Tories—"highway robbers." The Whigs worked for individual liberty and progress; the Tories defended the old order of the king, the landed aristocracy, and the established church.

One of the great writers and thinkers in the Puritan and Whig tradition was John Milton, who wrote his celebrated plea for the abolition of Parliamentary censorship of printed material in 1644, *Areopagitica.* Many skirmishes had to be fought before freedom of the press was finally accepted as one of the earmarks of a free society. Free speech is a corollary of press freedom, and I remind you of the statement attributed to Voltaire: "I disagree with everything you say, but I will defend with my life your right to say it."

Adam Smith extended freedom to the economic order with *The Wealth of Nations,* published in 1776 and warmly received in the thirteen colonies. The colonists had been practicing economic liberty for a long time, simply because their governments were too busy with other things to interfere—or too inefficient—and Adam Smith gave them a rationale.

Ten amendments to the Constitution were adopted in 1791. Article the First reads: "Congress

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shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof . . ." The separation of Church and State enunciated here was a momentous first step in world history. Religious liberty, freedom of the press, free speech, and the free economy are four departments of the same liberating trend—the Whig movement.

The men we refer to as the Founding Fathers would have called themselves Whigs. Edmund Burke was the chief spokesman for a group in Parliament known as The Rockingham Whigs. In 1832 the Whig Party in England changed its name to one which more aptly described its emphasis on liberty. It became the Liberal Party, standing for free trade, religious liberty, the abolition of slavery, extension of the franchise and other reforms.

Classical Liberalism is not to be confused with the thing called "liberalism" in our time! Today's "liberalism" is the exact opposite of historical Liberalism—which came out of the 18th-century Whiggism—which came out of the 17th-century Puritanism. The labels are the same; the realities are utterly different. Present-day liberals have trouble with ideas as ideas, so they try to dispose of uncomfortable thoughts by pigeonholing them in a time slot. The ideas of individual liberty, inherent rights, limited government, and the free economy are dismissed by contemporary liberals as "18th-century ideas." What a dumb comment! The proper test of an idea is the test of truth. Is the idea sound, does it hold water? You do not judge the quality of an idea by pigeonholing it in a particular time slot; you don't dispose of an idea by relegating it to the historical period when the idea emerged and became influential. But this is a typical liberal tactic.

The Proper Role of Government

Our discussion has focused on the nature of government, and we have come to realize that government is society's power structure constitutionally authorized to use legal force in certain last-resort situations. Once this truth sinks in we take the next step, which is to figure out what functions are properly assigned to the one social agency authorized to use force. This brings us back to the moral code and the primary values of life, liberty, and property. It is the function of the law to protect the life, liberty, and property of all persons alike in order that each human being has maximum opportunity to achieve his proper destiny. This is the thesis of Classical Liberalism, and I buy it.

There's a second political question to resolve, tied in with the basic one, but much less important: How do you choose personnel for public office? Once you have employed the relevant intellectual and moral criteria and confined public things to the public sector, leaving the major concerns of life free in the private sector . . . once you've done this there's still the matter of choosing people for public office. One method is choice by bloodline. If your father is king, and if you are the eldest son, why you'll be king when the old man dies. Limited monarchy still has its advocates, and kingship will work if a people embrace the monarchical ideology. Monarchy hasn't always worked smoothly, however, else what would Shakespeare have done for his plays? Sometimes your mother's lover will bump off the old man, or your kid brother may try to poison you.

There's a better way to choose personnel for public office: Let the people vote. Confine government within the limits dictated by reason and morals, lay down appropriate requirements for exercising the franchise, and then let voters go to the polls. The candidate who gets the majority of votes gets the job. This is democracy, and this is the right place for majority action. As Pericles put it 2,500 years ago, democracy is where the many participate in rule.

Voting today is little more than a popularity contest, and the most popular man is not necessarily the best man, just as the most popular idea is not always the soundest idea. It is obvious, then, that balloting—or counting noses or taking a sampling of public opinion—is not the way to get at the fundamental question of the proper role of government within a society. We have to think hard about this one, which means we have to assemble the evidence; weigh, sift, and criticize it; compare notes with colleagues, and so on. In other words, determining the proper role for government is an educational endeavor, a matter for the classroom, the study, the podium, the pulpit, the forum, the press. To count noses at this point is a cop out; there's no place here for a Gallup Poll.

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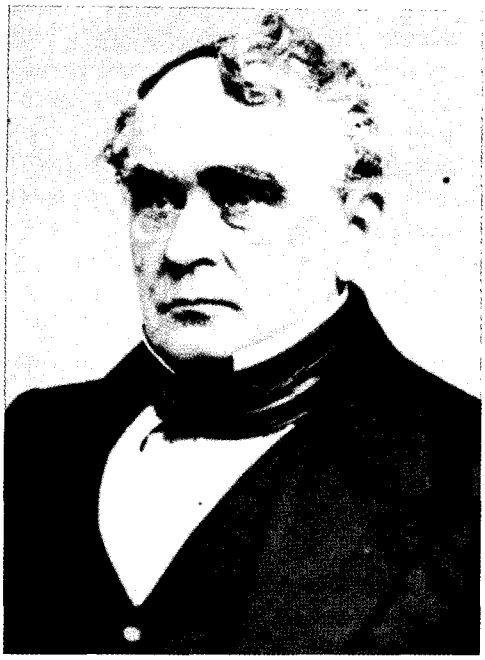

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Francis Lieber (1800-1872) warned of the dangers of democracy.

political philosophy has to do with the scope and functions of the political agency. Only hard thinking—education in the broad sense—can resolve this question. The lesser question has to do with the choice of personnel, and majority action—democratic decision-making—is the way to deal with it. But if we approach the first question with the mechanics appropriate to the second, we have confused the categories and we're in for trouble.

"Democratic Despotism"

We began to confuse the categories more than a century and a half ago, as Alexis de Tocqueville observed. His book, *Democracy in America*, warned us about the emergence here of what he called "democratic despotism," which would not shatter the wills of men, but merely soften and bend them. It would "degrade men without tormenting them."

We were warned again in 1859 by a professor at Columbia University, Francis Lieber, in his book *On Civil Liberty and Self-Government*: "Woe to the country in which political hypocrisy first calls the people almighty, then teaches that the voice of the people is divine, then pretends to take a mere clamor for the true voice of the people, and lastly gets up the desired clamor." Getting up the desired clamor is what we today call "social engineering," or "the engineering of consent." What is called "a majority" in contemporary politics is almost invariably a numerical minority, whipped up by an even smaller minority of determined and sometimes unscrupulous men. There's not a single plank in the platform of the welfare state that was put there because of a genuine demand by a genuine majority. A welfarist government is always up for grabs; and various factions, pressure groups, special interests, causes, ideologies seize the levers of government in order to impose their programs on the rest of the nation. Formula for present-day liberalism: "Somebody's program at everybody's expense!"

Let's assume that we don't like what's going on today in this and other countries; we don't like it because people are being violated, as well as principles. We know the government is off the track, and we want to get it back on, but we know in our bones that Edmund Burke was right when he said, "There never was, for any long time . . . a mean, sluggish, careless people that ever had a good government of any form." The politics of a nation reflects the character of a people, and you cannot improve the tone of politics except as you elevate the character of a significant number of persons. The improvement of character is the hard task of religion, ethics, art, and education. When we do our work properly in these areas, our public life will automatically respond.

Large numbers are not required. A small number of men and women whose convictions are sound and clearly thought out, who can present their philosophy persuasively, and who manifest their ideas by the quality of their lives . . . such people can inspire the multitude whose ideas are too vague to generate convictions one way or another. A little leaven raises the entire lump of dough; a small rudder turns a huge ship. And a handful of people possessed of ideas and a dream has got hold of the handle which can turn a nation around—especially a nation that is searching for new answers and a new direction. □

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A Future That Should Have Been Ours

by John C. Sparks

I have a complaint. It's about something that has been missing from my life—and from yours. It is about a future that should have been ours, but isn't.

My complaint is addressed initially to our long-distant ancestors who did not focus clearly upon their rulers and see them for what they were—despots and tyrants who had no divine right to rule anyone. With a few minor exceptions, this kind of government dominated until the American Revolution, by which I mean the philosophical revolution, rather than the shooting war that sprang from it.

If my complaint were in a court of law, the question ultimately would be: What is the measure of my injury? How have I been hurt or deprived of something I would have had? In other words, put a number on it.

All right, let's try it. It has been just over 200 years since the American Revolution, which produced a government with severely limited powers, thus providing Americans with more freedom than any other people who ever lived. It is unnecessary to detail the explosion of knowledge, new products, advances in health, and other human comforts that followed.

There is a direct correlation between freedom and a better life—running the gamut from physical health and longevity to cultural achievement and luxury. This is no accident. Good government protects its people from those who would take lives, interfere with peaceful transactions, and steal property. When government does this and nothing more, then each person is free to pursue his own ideas, make his own peaceful choices—and human progress results.

Keep in mind this direct correlation—freedom and a better life—while we apply a little imagination. The last 200 years of comparative freedom produced the miraculous upsurge of products and knowledge we know today, all because of the absence of bad government. This means that these advances could have happened anytime before—if bad governments hadn't been tolerated by our distant ancestors. It is conceivable that people living in the year 1000 A.D., for example, could have reached the same level of life we enjoy today! And thus we may be 1,000 years behind where we should be. If we had not had bad governments centuries ago, perhaps we could have a standard of living equivalent to what people may enjoy 1,000 years from now.

Think about it. You can fill out a list of your own specific complaints. Will you include the lost lives of your loved ones who could have been cured of diseases or injuries had they had access to medical knowledge that will be available 1,000 years from now? What other possibilities are there?

But if human well-being is closely related to freedom, why do we still enjoy a high living standard when our government has been restricting freedom for most of the 20th century? The answer is that freedom from the 1800s and early 1900s

Mr. Sparks, a retired businessman in Canton, Ohio, has served for many years as a Trustee of The Foundation for Economic Education.

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built up a momentum—a way of freedom-based life—that bad government cannot destroy at once.

However, the development of new inventions, products, and methods will be increasingly delayed, or may not happen at all. This will be difficult to see, except when we compare ourselves with other countries where freedom may grow. If there are no other places to compare with, then we will fly blind, unaware again of what we are missing. The risk to mankind is a repetition of the ignorance of the Dark Ages with progress postponed and living standards held in suspension—or worse.

A good government protects the people's freedom and then gets out of the way to let progress work its miracles. Our descendants deserve a heritage of freedom equal to or better than ours. We must not deal them out of their future. □

Three's a Crowd

by Robert Zimmerman

My landlord, Luigi, is a tiny old man from Italy. He speaks poor English, and likes to make jokes that nobody can understand. No one who lives in his building would deny that he is cheap. The plumbing and electrical systems in the building are ancient, and though they work, he patches them together with chewing gum and spit. It took him almost five years to admit that the water-heating system needed to be replaced. The mailboxes are ancient, too small, and at least a few are broken and cannot be fixed.

Yet, the building is *not* a slum tenement. It is clean, neat, reasonably well kept, and a decent place to live.

My apartment is on the top floor. Because of this I usually get the least heat. The second year I lived there, Luigi installed storm windows for my apartment, without a request, since he knew that to heat my apartment properly he would either have to raise the building's thermostat too high for everyone else, or make my apartment more heat efficient. He made the most cost-effective decision, which was perfectly acceptable to me.

Last winter, I was working at home when I got a telephone call from Luigi. He was in a panic. Since his English is so bad, I had trouble understanding him. Something about my complaining about the heat.

I didn't know what he was talking about. The heat, never great, is good enough. I don't have the time or interest to complain if the temperature in my apartment is 68 degrees instead of 72. Why be petty about these things? Luigi does the best he can.

Eventually I was able to learn from him that someone had called the New York City Department of Housing Preservation and Development's heat and housing complaint telephone line, using my name, and had complained that the heat in my apartment was too low. To Luigi, this could mean fines, government inspection, and endless hassles.

I hadn't complained. If Luigi did not provide me with adequate heat, I would take the issue to him directly. This had always worked in the past. It got the plumbing fixed, and it got my apartment painted on time.

Mr. Zimmerman is a feature film producer in New York City.

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Luigi told me that a city heating inspector would visit me, and he begged me to deny the complaint. "Sure," I said.

When the heating inspector came, he had an official clipboard and an official "I'm here to save you" attitude. He asked me a lot of questions, some of which I considered none of the city's business. Even though I told him I had no complaints about the heat and had never called the Housing Department, now that he was there he felt he had the right to pry into the situation. Eventually I got him to go away.

I was offended by this third party's interference in my personal affairs. What business is it of a government agency how much heat my landlord provides?

Worse, I was disgusted that some unknown third party could cause so many problems by calling the Housing Department in my name. I was reminded of Orwell's *1984* (as well as Soviet Russia), where people could report on their neighbors simply because they didn't like them.

My lease is a contractual agreement between my landlord and me. When I moved into this building, I agreed to pay him rent for the space, and he agreed to provide heat and maintain the building. I did not make this contractual agreement with the New York City government, nor with any other third party lurking about trying to save me from myself. If I couldn't get my landlord to give me heat, I would move out. No one *makes* me live where I do.

This points to the fundamental problem with government interference in our private lives. Many human interactions take place between two people, face to face. By asking the government to police the situation, we bring in a third party whose interests and motives are not linked to the problem. In addition, by giving power to such a third party, we remove responsibility from the two main parties (in this case, my landlord and me).

If tenants sit back and expect the government to protect them, too often they will find themselves abused by landlords. No government has the resources to police every contractual agreement. This has to be the responsibility of the individual citizen. Or as it used to be said, "Let the buyer beware."

When I was a child, it was considered bad form to run to my parents for help when I had an argument with friends. To whine, "He hit me!" was not a solution. I was taught that we must learn to resolve conflicts peaceably among ourselves.

For our society to function in a healthy manner, we must abandon this notion that a third party (i.e., the government) can resolve our differences. This notion allows each of us a convenient escape from responsibility. Like little children, we go running for help, whining, "He didn't give me enough heat!" "He was racist, and called me names!" "She didn't rent me her house!" "He harassed me!" And on and on.

We must deal with each other, face to face, and not run for help. Most human interactions don't require interference by the police. Two people, with respect and common dignity, can usually settle their differences if left alone. And in a free society, if they cannot settle their differences they usually go their own way.

Or as Thomas Jefferson said, "A wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned." □

IDEAS ON LIBERTY

"For their own good"

Many persons are so reluctant to become involved in other people's affairs that they will stand by and see a fellow man beaten or even killed without intervening. Yet those very same non-Samaritans readily join in great numbers to make other people's decisions for them, meddle in their business, force them to act "for their own good."

—James C. Patrick

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Forge of Union

by John Chamberlain

With the publication by Jameson Books of Ottawa, Illinois, of the third volume of his "eyewitness" narrative history of the founding of the U.S. government, Jeffrey St. John, radio and television commentator, has completed the job he set out to do. His idea was to pretend that he was "there" when General Washington, James Madison, Alexander Hamilton, Patrick Henry, Thomas Jefferson, Benjamin Franklin, John Adams, and the other founders were deciding to cut loose from King George the Third, whose government tried to tax them without their permission.

For his volume one, *Constitutional Journal,* St. John pretended that he was in the room at Philadelphia and sneaking out daily reports of the new Federalist effort to provide something more solid in the way of government than the Articles of Confederation, which had staggered through seven years of war without the taxing authority needed to pay Washington's troops.

In volume two, *Child of Fortune,* St. John gave a weekly recounting of the battle in the states to ratify the Philadelphia constitution. It was hard going for the Federalists to combat the Anti-federalists led by Patrick Henry, of "liberty or death" fame, who wanted to scrap the centralizing work of Madison and Hamilton. There had to be a promise of a Bill of Rights to get the Constitution adopted in recalcitrant states.

St. John's volume three, *Forge of Union, Anvil of Liberty,* (320 pages, $24.95 cloth) reports on the first Federal elections and the creation of the Bill of Rights, a list of which was reduced from seventeen, then to twelve, and finally, with merger phrasing, to the familiar ten.

One interesting thing in St. John's *Forge of Union, Anvil of Liberty* is the way in which Washington relied on Madison to keep Patrick Henry and the Anti-federalists at bay. With the Spanish and the French and the British egging the Indians on in Florida and in the Mississippi Valley, care had to be taken in pursuing a foreign policy. Monetary policy was important too: Alexander Hamilton proposed that the federal government assume at face value the debts incurred by the states during the recent war, adding them to the debts carried by the general treasury. The government's taxing power and the projected national bank would assure repayment. Patrick Henry "could find no clause in the Constitution authorizing congress to assume the debts of the states," but President Washington, without fully understanding what Hamilton was proposing, backed him. "This is the first symptom," so Hamilton wrote of Patrick Henry's attack on debt assumption, "of a spirit which must either be killed or will kill the Constitution . . . ."

The difference between the American and French revolutions is continuously stressed through letters and documents produced by St. John. A parenthetical refrain running through the book is St. John's boast of "a copy having been obtained by this correspondent."

There was a savagery to the French revolutionary uprising that was, in St. John's words, fueled by a burning hatred for the aristocracy. "This type of savagery," says the author, "was almost totally absent during the American revolution . . . . in the last two years it has been demonstrated to a disbelieving world that it is possible, on this side of the Atlantic, to effect revolutionary political reform

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without recourse to mob violence and internal bloodshed. Even during the long War of Independence, the conflict was governed within specific codes of conduct that prevented it from degenerating into a savage civil conflict between people of the same cultural traditions."

Savagery, remarks St. John, was a commonplace in such collisions as those that Washington had witnessed in western Pennsylvania, but, "its appearance on the supposedly civilized streets of Paris has shocked and stunned American political leaders."

Violence might have developed from the Founders' failure to rid their culture of slavery. But compromise was possible here—in the so-called Northwest Ordinance territory, no slaves were permitted in new states north of the Ohio River. Kentucky and Vermont could peaceably join the union as the fourteenth and fifteenth states without provoking trouble.

New Jersey became the first state to adopt a Bill of Rights. The struggle for a permanent site of government was settled in favor of the "Powtomac" (the upper Potomac) at the expense of the Susquehanna, which was too far north.

Having emerged from the 18th century, Jeffrey St. John will be looking for something to do. He is tempted by the subject of the Cold War. But that would mean spending inordinate time with the ghosts of Stalin and Brezhnev. Better, one thinks, to stick with the 18th century. Why not a history of the Louisiana Purchase, which gave us half a continent? □

LIBERTY & CULTURE
by Tibor R. Machan
Prometheus Books, 700 Amherst Street, Buffalo, NY 14215
1989 • 288 pages • $21.95 cloth

Reviewed by J. E. Chesher

I've just finished reading a delightfully thought-provoking and entertaining book, *Liberty & Culture* by Tibor Machan, professor of philosophy at Auburn University. Machan is widely published in professional journals and a frequent contributor to *The Freeman*. Though the great bulk of Machan's previous work is scholarly and aimed at a highly trained, specialized audience, *Liberty & Culture* is more widely accessible. This book is a collection of selected editorials that have appeared, over a period of 20 years, on the Op-Ed pages of many prominent newspapers and magazines, including *The New York Times*, *The Los Angeles Times*, *Liberty*, and the *National Review*.

The essays cover diverse issues and topics, beginning with Machan's touching and colorful account of his "Escape from Tyranny" as a youth in Communist Hungary. There are a number of essays each on Marxism, Democracy, Individual Human Rights, Foreign Affairs, Politics, Economics, Business Law, Morality, Medicine, and Culture. Each one addresses, in terms of some fundamental principle, a specific event, problem, or issue of the day. The essays, though varied in scope, are smoothly woven together by the common thread of Machan's concern with the relationship between "liberty and culture."

The essays are further unified by a common motive. As Machan observes, "my main concern in these writings has been with moral and political standards for contemporary society. I have stressed the enormous diversity open to each of us as we strive to live a morally proper life. And I champion the preservation of individual liberty, which makes moral conduct possible for everyone in the human community."

What the reader will find in this book are familiar themes freshly and originally applied to contemporary issues. For example, in response to the claim that video recorders make it possible to infringe on the rightful earnings of the Hollywood community, Machan observes that "the crucial question is whether the proposal advanced by the Hollywood creative community—that Congress tax tape equipment and transfer the funds to the industry—is consistent with individual rights. Is this a special case requiring government intervention or is it simply another case of special-interest pleading?" Machan demonstrates that this plea for special government assistance is not consistent with rights of ownership.

Again, in response to the lament that the competition of free markets is good for the swift but cruel to the slow, Machan offers this perspective: "... competition is actually only a sideshow in a free market ... what the market makes possible is only incidentally a matter of contest. More accurately it is a matter of excellence. In a free market people can excel at what they do, even if there is no one challenging them. If there are many who want to

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excel at some craft, profession, or art, then here we find competition. . . . But that is not crucial. Freedom allows those who want to work at some task to do their best without punishment."

Machan comments on strikes by public school teachers. He discusses the Supreme Court's support of statism. He points out that creeping fascism, not socialism, is the greater threat in this country. He writes of the business community's ironic disdain of capitalism. He explains why it is wrong to blame tobacco companies for the woes of smokers, why defense spending and social spending are no more comparable than apples and oranges, why the government's war on drugs may be more threatening than drugs themselves, why it is contradictory to claim that "given a free press, a fair and impartial jury is impossible," also when one has the obligation *not* to vote.

The essays in this book are challenging but "reader friendly," requiring no special knowledge, no dictionary at one's side. *Liberty & Culture* brings the philosophy of liberty down from the clouds and demonstrates how sound theory and moral principles are solidly grounded in experience. Each essay provides the reader with sufficient information to consider the issue intelligently. This collection of essays would be an excellent introduction to liberty for those many people we know who are not familiar with the literature on the subject, but are genuinely curious about its limits and applications. Such people are not moved by works on abstract theory and lofty moralizing. Give them this book instead. □

Mr. Chesher, who teaches in the philosophy department of Santa Barbara City College, is a free-lance writer and reviewer.

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Join us in the pursuit of an ideal.

We do not need to impugn the motives of those who have not as yet grasped the significance of freedom nor do we need vociferously to argue for points we cannot explain. Quite to the contrary, we can turn conscientiously to our own homework; we can aim at becoming competent expositors.

—**Leonard E. Read**

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—GROVER CLEVELAND (1893)

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